

**Chief Financial Officer's
Financial Management
Status Report
and Five Year Plan
1996 - 2000**



TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
	Introduction	ii
	Underlying Causes of DoD Financial Management Problems	ii
	Blueprint for Reform	iii
	Accomplishments	iii
1	Chief Financial Officer's Vision Statement	1-1
1.1	Business Process Reengineering	1-1
1.2	System Standardization	1-2
1.3	Consolidation of Operations	1-2
2	Status Report	2-1
2.1	Organizational Accountability Considerations	2-1
2.2	Systems Considerations	2-4
2.3	Policy and Procedures Considerations	2-28
3	Financial Systems	3-1
3.1	Migrations Systems	3-1
3.2	Interim Migration Systems	3-4
3.3	Business Information Management	3-12
3.4	Audited Financial Statements	3-16
3.5	Defense Financial Management Improvement Plan	3-17
3.6	Functional Architecture	3-18
3-A	Functional Architecture	
	DoD-wide System Architecture	3-A-1
	Target Accounting and Finance Systems	3-A-2
	Strategy of Migrating to the Target	3-A-3

**DEPARTMENT OF DEFENSE
CHIEF FINANCIAL OFFICER
FINANCIAL MANAGEMENT 5-YEAR PLAN**

This Department of Defense Chief Financial Officer 5-Year Plan addresses the overall financial management strategy for the Department, provides an analysis of the current status of financial management at the end of FY 1996, and identifies improvement initiatives over the 1997-2001 timeframe.

Introduction

The “cold war” has been won and, as a result, the infrastructure and overhead of the Department of Defense (DoD) is being reduced. The DoD financial management community is an active participant in the downsizing and has some 100 projects underway to improve and streamline financial management, as well as the timeliness and accuracy of accounting data. As a result, the Department is in the midst of the most comprehensive reform of financial management systems and practices in its history. These reform efforts are driven by two pressing needs: first, the need to overcome decades-old problems in financial management systems and procedures; and second, the need to lower administrative costs by redesigning fundamentally the Department’s fiscal operations.

Underlying Causes Of DoD Financial Management Problems

Prior to January 1991, the Department of Defense had a totally decentralized mode of operations. Reflecting that reality, the three Military Departments and the major Defense Agencies had, until recent major reforms began, managed their own budget, finance, and accounting systems. As a result, they developed their own processes and business practices, geared to their particular mission, with little incentive to achieve compatibility with other DoD activities. As DoD missions became more complicated and organizations were required to interact more with each other, the incompatibility of systems and lack of standardization took a toll. Rather than redesigning its organization or standardizing its multitude of systems, the Department developed increasingly complex business practices to link its systems.

Such complexity left DoD financial systems prone to error or to demands that could not be met with the platforms, personnel, or time available. No matter how good the people operating those systems, problems were inevitable. Moreover, there was an inherent inefficiency in having scores of incompatible organizations that performed virtually identical functions. For example, there was only one pay schedule for military people and one for DoD civilians, yet the Department maintained dozens of different pay systems. This Chief Financial Officer Financial Management 5-Year Plan highlights the reforms being mounted to solve these and other DoD financial management problems.

Blueprint for Reform

The Under Secretary of Defense (Comptroller) has drawn a “blueprint” to lead the Department in its effort to “construct” financial management reform. This blueprint includes the following key goals:

- Consolidate Finance and Accounting Operations.
- Consolidate Finance and Accounting Systems.
- Eliminate Problem Disbursements.
- Reengineer DoD Business Practices.
- Strengthen Internal Controls.
- Improve Management Incentives.

These reforms aim to streamline and redesign DoD financial processes, systems and organizations in order to make them optimally effective and cut costs. Reforms also seek to ensure that DoD financial management fulfills the needs of its leaders, meets statutory requirements, maximizes efficiency, minimizes fraud, and provides superlative customer service.

Accomplishments

A. Consolidate Finance and Accounting Operations

- **Consolidate Finance and Accounting Centers**

In January 1991, the Department activated the Defense Finance and Accounting Service (DFAS) by capitalizing the finance and accounting centers of the Army, Navy, Air Force, Marine Corps, and Defense Logistics Agency, and other related organizations, into a single DoD agency. DFAS was created to implement standard accounting policies and procedures throughout the Department. As part of its charge, the DFAS developed a comprehensive strategic plan to reconfigure the Department’s financial processes and systems. The goal is to develop a single integrated financial management process that produces both reliable financial information for all levels of management and auditable financial statements.

- **Consolidate Finance and Accounting Field Operations**

The establishment of the DFAS was a giant step forward in the streamlining of DoD’s financial systems. The DFAS is a pivotal agent for key financial management reforms. A major streamlining milestone was the announcement, in May 1994, of the consolidation of finance and accounting operations. Since that announcement, 230 of 343 DoD field activities have been closed and their processes consolidated into 17 DFAS Operating Locations and the five DFAS Centers. When consolidation is complete in November 1998, DoD finance and accounting operations are expected to be conducted at no more than 26 DFAS sites; savings from this one initiative are expected to total \$120 million per year.

B. Consolidate Finance and Accounting Systems

- **Migratory Finance System Strategy**

The Department has made substantial progress toward the consolidation and standardization of financial systems. The Department's financial systems are being consolidated and modified as necessary to meet Department-wide requirements. The DFAS already has consolidated retiree and annuitant pay operations on one standard system—the Defense Retiree and Annuitant Pay System, with a resulting cost reduction of \$10 million per year. The DFAS also has implemented a standard system for managing out-of-service debt, which resulted in an annual decrease in operating costs of \$1 million per year. The Department now is implementing a standard system for processing civilian pay—the Defense Civilian Pay System. This initiative has allowed the Department to close over 250 payroll offices and eliminate 14 of the original 27 civilian pay systems. By the end of FY 1997, the Department will operate only one civilian pay system. This will reduce the monthly cost of maintaining civilian pay accounts by over 35 percent between FY 1995 and FY 1997. The Department also has made substantial progress in moving to standard military pay systems, eliminating 15 of its former 22 military pay systems. By the end of FY 1997, the Department will operate only two military pay systems.

- **Migratory Accounting System Strategy**

The Department also has undertaken a major effort towards reducing and improving the number of its accounting systems. When DFAS was established, installation level accounting generally was performed at decentralized field activity offices at the various military installations, using a wide variety of financial management information systems developed over the years by the various DoD Components. These systems were tailored to meet the needs of the many diverse activities, and frequently were integrated with the business operations that the applicable activities performed. The complexity of accounting operations and the wide variety of automated information systems currently in use has shaped the Department's plan for migrating to standard DoD accounting systems.

The Department plans to eliminate many of the 73 existing accounting systems that support Defense Business Operations Fund (DBOF) operations. Based on an extensive evaluation of current system capabilities, 15 existing systems have been selected as DBOF interim migratory accounting systems. Additionally, accounting systems for two of the DBOF business areas will be replaced by commercial-off-the-shelf systems. Conversion to these systems will result in the elimination of 60 systems currently used by DBOF activities.

In General Fund accounting, the Department has identified migratory systems that are expected to have CFO compliant functionality by the beginning of FY 1998. To date, the Department has eliminated 22 General Fund accounting systems. [Under the current strategy](#), the Department will reduce the number of General Fund accounting systems from the FY 1991 high of [103 to not more than 16 systems](#).

C. Eliminate Problem Disbursements

- **Reduction of Problem Disbursements by Over 60 Percent**

Under the direction of the Under Secretary of Defense (Comptroller), the DFAS, in coordination with the affected DoD Components, established a project to reduce problem disbursements. This effort focused both on resolving existing unmatched transactions, negative unliquidated obligations and in-transit disbursements, and on making improvements in existing procedures and systems to prevent the occurrence of these problems. The project had a goal of reducing problem disbursements by approximately 50 percent by the summer of 1994. This goal was achieved through the joint efforts of all parties involved. On June 30, 1995, the Under Secretary of Defense (Comptroller) issued a comprehensive set of procedures for researching and correcting problem disbursements. As of July 1996, the portfolio of problem disbursements had been reduced from \$51 billion to \$18 billion, or 64 percent.

- **Cross-Disbursements**

Cross-disbursement transactions are disbursements and collections made by a disbursing office assigned to one DFAS Center and accounted for by an accountable station assigned to another DFAS Center, DoD Component or Federal agency. A major factor experienced in processing cross disbursements has been the lack of standard DoD cross-disbursing policies and processes that address (1) data requirements; (2) timeframes for processing and recording payments; and (3) procedures for reconciling disbursing data with information resident in accounting systems. Effective April 1, 1996, the Department implemented new policies and procedures to process and control cross-disbursement transactions. These new policies standardize the DoD cross-disbursing process and reduce the cycle time to process the related transaction. In addition to these newly established policies, the Department aggressively is pursuing other improvements through systems enhancements and the use of information technologies—such as electronic commerce and electronic data interchange.

- **Commitment and Obligation Reviews**

The Under Secretary of Defense (Comptroller), in two separate actions, has moved to improve the timeliness and accuracy of the obligation data in the Department's accounting systems. In the first of these two actions, the Under Secretary of Defense (Comptroller) established specific timeframes for recording obligations in the accounting systems. This action better ensures that obligations are recorded promptly and that the reported obligation data accurately reflects the current status of obligations. In the second action, guidance was issued requiring that outstanding commitments and obligations be reviewed at least three times a year for continued validity. These reviews are intended to (1) identify open transactions that either have been canceled or completed, (2) identify adjustments that have not been recorded and (3) identify possible delays in the recording of expenditure transactions. Both of these actions will improve the accuracy and timeliness of the Department's financial reports.

D. Reengineer DoD Business Practices

- **Reduced, Clarified and Reissued Policies**

In past years, numerous nonstandard financial management policies have been promulgated within the Department. This environment often resulted in the application of different standards for similar circumstances, thereby producing inconsistent or incompatible information or reports. In response to this situation, the Department developed a single “DoD Financial Management Regulation” to be used on a DoD-wide basis. The Department has issued 12 volumes as of September 1996, and the remaining three are pending publication. When fully implemented, the 15-volume Regulation will replace a myriad of existing policy guidance, clarify existing guidance where appropriate, and include additional guidance as needed.

- **Defense Business Operations Fund**

Another step taken to standardize the Department’s accounting practices was the implementation of the DBOF. The DBOF primarily is an extension of a revolving fund concept employed throughout the Department over the past 35 years. The new aspects focus on the use of standard business practices for covered areas across the Department.

The objectives of the DBOF are to (1) provide a business management structure that encourages managers and employees of the Department’s support organizations to recognize and recover the costs of producing a product or providing a service; (2) establish a customer/provider relationship for products and services; and (3) provide products or services to the “warfighter” at the lowest cost. This business philosophy is rooted in two fundamental principles: cost visibility and basic economic incentives. Providers are expected to have and use the visibility over costs incurred to deliver a product or perform a service at the least cost; and operating forces are expected to choose and pay for the level of service and support required.

- **Year 2000 Strategies**

The Year 2000 will have a critical impact on information systems in the Department. Due to space limitations on early computers, the industry-accepted standard for representing a date has been six digits. The year portion of the date has always been two digits. Beginning with the year 2000, this standard produces potential miscalculations. The Year 2000 changes can effect all mainframe, midrange and personal computers and also can be found in a wide variety of software applications. For example, any computations that calculate age, sort by date, compare dates, or perform other specialized tasks may be affected. The Department must modify existing systems to process dates properly after 1999. The DFAS established a Year 2000 project in 1991, and has the responsibility to monitor and track all non-Year 2000 compliant financial management systems. This process is baselined with the identification of all financial management systems for which the DFAS has responsibility, separating compliant from non-compliant systems, and identi-

ifying a point-of-contact for each system needing correction. Tasks and milestones have been assigned to ensure the correction of each non-compliant system by December 31, 1998.

- **Improved Data Standardization**

Data standardization is critical as the Department optimizes its use of migration systems and moves towards sharing common processes and data under an open systems architecture. The best way to mandate that everyone use common data elements, to include a clear, common understanding of the meaning of those elements. In the past, the Department has had over 250 finance and accounting systems that used some 100,000 discrete data elements. As of September 1996, the Department has identified that its finance and accounting systems need only about 500 standard finance and accounting data elements.

- **Budget and Accounting Classification Architecture**

The Department's Budget and Accounting Classification Architecture initiative provides the means to record all financial transactions using a standard budget and accounting classification code (BACC) structure. This standard structure will ensure consistent financial information within each of the Department's financial systems. It also will aid significantly in the communication of data both between financial systems and between financial and non-financial systems. The Department approved BACC structural data elements in September 1994. Since approval, the DFAS has modified and stabilized the BACC structural data elements; provided an expanded and more detailed BACC data element matrix; revised, expanded, and clarified the detailed BACC data element definitions; developed a concept of operations for BACC implementation; and established a BACC task group to address special issues (e.g., an extensive and complex BACC database for systems managers use in accounting systems). The Department also established a BACC Project Office that is overseeing the creation of a DoD Centralized BACC Architecture Office and Sub-BACC Architecture Offices at all of the DFAS Centers.

- **Electronic Document Management**

The Electronic Document Management (EDM) Program is designed to provide users with on-line access to financial documents and information, advance the application of new methods and technologies, ensure the consistent implementation of business practices throughout DFAS, improve the delivery of customer service, and reduce operating costs. EDM involves the collective application of three technologies, i.e., imaging, electronic foldering and workflow. Together, these technologies automate the presentation of material, the integration of business applications, and the standardization of business processes. The current focus of the EDM program at the DFAS Centers and Operating Locations is on bill paying. EDM capabilities already are being installed at the DFAS Columbus Center and the Omaha Operating Location; a deployment schedule is being prepared to expand EDM to all DFAS Operating Locations.

- **Electronic Document Access**

A major element of the EDM Program is electronic document access (EDA), which uses Internet and world-wide-web technology to share documents across the Department. The DFAS has partnered with the Navy acquisition community, the Defense Information Systems Agency (DISA) and the Defense Automated Printing Service (DAPS) to develop an intranet application that assures DoD-wide, on-line access to contracts and other documents stored at remote locations. EDA offers read-only access to official contract documents in a common file format that eliminates the need for DoD users to maintain hard copy files. Efforts are underway to evaluate the success to date and provide recommendations for EDA expansion.

- **Electronic Commerce/Electronic Data Interchange (EC/EDI)**

The DFAS has established an Electronic Commerce Program Office to identify and implement EC/EDI and Electronic Funds Transfer (EFT) across the financial management community. Some of the highest EC/EDI priorities include electronic processes to validate funds and record commitments in the accounting systems; create electronic contracts and contract modifications in the contract writing systems and record them in the payment and accounting systems; process electronic receiving reports to the payment and accounting systems; accept and process electronic invoices from vendors in the payment systems and automate the pre-validation of payments against obligations prior to disbursement. In addition, the project will increase the use of EFT, register small vendors to accept EC/EDI, and establish DoD standard implementation conventions for the financial community. Most of the Department's major vendor payment systems today already are transmitting EFT payments.

- **Teleservices**

The Teleservices Program is a business process improvement effort to improve customer service and reduce the cost of financial operations. Program goals are to integrate productivity tools with finance migratory systems in order to support financial operations, reduce costs, and improve customer service. The primary component of the Teleservices Program is the Teleservices Call Management System (TCMS). The TCMS is a DFAS-wide support strategy to manage all customer contacts—telephone and written inquiries and service requests—at the DFAS Centers and Operating Locations. TCMS initiatives support retired and annuitant pay, active duty and reserve pay, travel pay, transportation pay, contract and vendor payments, and other consolidated activities that receive a high volume of customer inquiries.

E. Strengthen Internal Controls

- **Fraud Detection and Prevention**

The Department established a new program in June 1994 to enforce better compliance with existing security procedures at financial data processing installations and reduce the vulnerability

of its computer networks to intrusion. This program, titled “Operation Mongoose,” is a proactive fraud detection and prevention unit formed to identify possible individual intrusion into financial systems for illegal personal gain. Operation Mongoose is managed by a program management team within DFAS, and involves several other DoD organizations, including the Office of the DoD Inspector General. Computer matching techniques are used to compare various dissimilar computer systems operated by financial organizations within the Department. The intent is to identify anomalies that occur when data that should be identical fails to match from one system to another. In addition, Operation Mongoose presently is validating retired/annuitant payrolls and, so far, has saved over \$5 million. Other areas to be investigated include the validation of military and civilian payrolls, vendor payments, and transportation payments.

- **Funds Distribution**

Funds within the Department traditionally have been distributed and controlled in various ways using either manual or automated systems, or a hybrid application. To improve controls over the funds distribution process, the Department has begun to use the Program Budget Accounting System (PBAS) to integrate better the distribution of funds and govern the reprogramming of funds. The PBAS is being used in the Department of the Army and for various Defense Agencies; similar improvements are being made in the Navy and the Air Force.

- **Improved Process for Compliance with the Federal Managers’ Financial Integrity Act**

The Secretary of Defense places substantial emphasis on sound internal controls and the correction of control weaknesses. Traditionally, the responsibility for compliance with the Federal Managers’ Financial Integrity Act rested primarily with the individual DoD Components. Many senior managers in the Office of the Secretary of Defense (OSD) played a very limited role in this process. However, under new rules established in February 1994, senior managers in OSD now play a more active role in identifying, reporting and correcting weak internal controls within their areas of responsibility.

F. Implement the Government Performance and Results Act (GPRA)

- **GPRA Performance Measurement Pilots**

Starting in 1993, the Department established seven GPRA performance measurement pilots. The pilots represent a good cross mix of DoD activities ranging from support activities to operational commands. To varying degrees, each of the seven pilots have produced strategic plans, performance plans and performance reports.

- **Framework for Integrating GPRA into the DoD Planning, Programming and Budgeting System (PPBS)**

In August 1994, the Department formed a GPRA working group to study ways to refine the PPBS to meet GPRA legal requirements and to strengthen internal management processes. The working group used several existing DoD strategic planning documents to extract the DoD GPRA corporate level goals along with a DoD mission and vision statement. Together, these were transferred into planning and programming guidance that are published in the Defense Planning Guidance—the key planning document of each PPBS cycle. In addition, the working group developed a draft set of corporate level performance measures to serve as an early prototype for further development within the program. As a result of these and other related efforts, the Department anticipates that savings reflected in the FY 1998-2003 PPBS cycle will satisfy GPRA requirements one year in advance of the legislative requirement.

G. Improve Management Incentives

- **Senior Financial Management Oversight Council**

The Department continues to use a management oversight structure to ensure the involvement of the Department's senior leaders in the financial reform process. The capstone of this structure is the Senior Financial Management Oversight Council created in August 1993. The Council meets on a regular basis to address financial management deficiencies, approve plans for proactive solutions to financial management weaknesses and deficiencies, assign responsibility for correcting financial management problems, and monitor progress in reforming the Department's financial management. The Council is chaired by the Deputy Secretary of Defense and includes the Secretaries of the Military Departments, the Vice Chairman of the Joint Chiefs of Staff, the Under Secretary of Defense (Acquisition and Technology), the Under Secretary of Defense (Comptroller)/Chief Financial Officer (Executive Secretary), the DoD General Counsel, and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence). The DoD Inspector General, in order to avoid a conflict of interest, is not a member of the Council but serves as an observer and, at the request of the Chair, provides support to the Council. The DFAS Director also attends the Council meetings. In short, the Council provides the necessary framework and clout to focus attention on problem areas and exert pressure to make things happen.

- **Financial Management Steering Committee**

The Department's Financial Management Steering Committee oversees the development of functional requirements for general fund financial and accounting systems, facilitates the implementation of policy recommendations, and addresses financial management systems and practices. The Committee is chaired by the Under Secretary of Defense (Comptroller), and includes the Director, DFAS, the Assistant Secretaries (Financial Management and Comptroller)

of the three Military Departments, the Comptroller of the Defense Logistics Agency, and a senior official from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence).

- **Acquisition and Financial Management Working Group**

In November 1993, the Deputy Secretary of Defense directed the establishment of an Acquisition and Financial Management Panel Working Group to identify and develop a course of action to correct the systemic problems that cause problem disbursements. The purpose of the Panel is to design, and oversee, a long-term solution to the causes of problem disbursements and the lack of interconnectivity between finance and acquisition systems. The panel is co-chaired by the Under Secretary of Defense (Comptroller) and the Principal Deputy Under Secretary of Defense (Acquisition and Technology). The panel includes the Under Secretaries of the Military Departments, the Defense Finance and Accounting Service, and the Director of the Defense Contract Management Command.

- **Defense Business Operations Fund Corporate Board**

The DBOF Corporate Board, established in November 1993, monitors the implementation and operation of the DBOF, including policies, rates, cash flow analysis, and the criteria for inclusion of business areas therein. The DBOF Corporate Board is chaired by the Under Secretary of Defense (Comptroller) and includes the Assistant Secretaries (Financial Management and Comptroller) of the three Military Departments and representatives from the Joint Chiefs of Staff, the Under Secretary of Defense (Personnel and Readiness), the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) and the Director of the Defense Finance and Accounting Service. Special observers, include the DoD Inspector General. Overarching policies, procedures and reporting guidance for DBOF activities formally were incorporated into the DoD Financial Management Regulation and published in December 1994. Three sub-committees--Oversight of Policy Actions, Cost Reductions and Performance Review--have been established to develop and/or review recommendations to the Corporate Board.

- **Project Management Office for Accounting Systems**

A Project Management Office (PMO) at DFAS was established in April 1996 to provide centralized management control and oversight for all migratory and interim migratory accounting systems. Although progress has been made in reducing the number of accounting systems across the Department, and efforts to get selected systems in compliance with government accounting standards are proceeding, it was determined that a more concerted effort is needed in order to improve accounting systems and practices in the Department.

Section 1

Chief Financial Officer's Vision Statement

The Department has made the reform of financial management a major initiative. Reform is essential to correct long-standing financial management problems that threaten the effective delivery of U.S. combat power. First, inefficient financial management systems and practices waste money that is needed now, more than ever, to sustain sufficient combat power. Second, whenever mismanagement surfaces, the understandable congressional and public response often is to attack and reduce the overall DoD budget without a clear vision of the effect that such macro-level reductions has on the operational tempo.

The financial management reform program designed by the Department to correct its financial management deficiencies is built around three dominant initiatives:

- Business process reengineering;
- System standardization; and
- Consolidation of operations.

Simultaneous major initiatives are underway in all three areas and each initiative embraces a number of supporting and interlocking actions. Because they are interconnected, improved financial management is dependent upon the completion of every one of these initiatives.

Subsection 1.1. Business Process Reengineering

The success of the Department's financial management reform depends upon a reengineering of its business practices. Fundamental change is essential; merely automating current practices only would speed the handling of data that is incapable of integration into useful results. Although a difficult, time-consuming process, the Department must conduct baseline studies of current procedures, eliminate needless or duplicative processes, and standardize and consolidate the many systems and processes used in DoD financial management. This process now is underway--with the overriding objective of assuring improved customer service.

Business process reengineering efforts include simplifying, standardizing, and improving financial management regulations and procedures. The "DoD Financial Management Regulation," which is replacing some 70,000 pages of separate DoD Component regulations, is near completion with most of the target 15 volumes already in use. Initiatives to simplify, standardize, and improve policy and procedures include both traditional guidance and the standardization of financial management data elements, formats and specifications to facilitate greater use of modern technologies. The use of technologies such as electronic commerce, electronic document management and teleservices are expected to drive significant business process improvements.

Of course, business process reengineering extends beyond financial management into other functional areas such as personnel, logistics and acquisition. The financial management community cannot operate in isolation from other functions. In fact, it has been estimated that the financial community is reliant on the data captured in other communities for some 80 percent of the data used in its processes. The intent is to capture information once, at the source, and transmit it to various using functions (both financial and non-financial) via electronic media. A greater degree of automated information exchange also must occur between the Department and its trading partners. The huge volume of paper associated with financial management today must be eliminated—replaced by electronic transfers of vendor invoices and receiving reports, payments via electronic funds transfer, on-line financial reports, and the like. All aspects of improving DoD financial management are being explored through a variety of business process reengineering initiatives.

Subsection 1.2. System Standardization

The myriad of existing, duplicative systems must be substantially reduced. To accomplish this, the Department's current strategy aims to eliminate as many systems as possible by consolidating finance and accounting functions to a select set of migration systems. This elimination of redundant systems will free resources needed to support reengineered financial information requirements. The Department intends to integrate its migration systems in consonance with OMB Circular A-127 and ensure full compliance with the Federal Managers' Financial Integrity Act. This incremental approach to systems development reduces both risk and cost.

DoD financial management is being transformed into a performance-based process that encourages managers and employees of all organizations to provide quality products and services at the lowest cost. To achieve this end, supporting finance and accounting information must be accurate, comprehensive and timely as well as relevant to decision making by the Department's program and operating managers. Standard systems to provide this financial management information will support all functional users in their day-to-day operations and decision making.

Subsection 1.3. Consolidation of Operations

The Department expects to reduce the number of sites that perform finance and accounting functions across the United States. The number of sites will be reduced from over 300 to not more than 26. The goal is to cut the cost of providing finance and accounting support, while offering improved service to DoD Component customers. The new organizational structure is expected to facilitate standardized and streamlined operations, improve accountability, reduce data reconciliation, enhance flexibility, improve contingency capabilities, complement the use of integrated systems, promote economy and efficiency, and focus on service to the customer. Savings are expected to result from eliminating redundant activities and unnecessary intermediate offices; reducing unnecessary management levels, overhead, and support personnel; and eliminating redundant systems and the support staffs that maintain them. Streamlining organizations, together

with standardizing systems and employing more successful business practices, also should result in better financial management service to DoD customers. In particular, streamlining should promote consistency in operations, a singular interpretation of policies and procedures, and the strengthening of internal controls. A new structure also is expected to improve substantially the integrity of financial information throughout the Department, thereby enhancing service to defense contractors, military and civilian employees and DoD managers at all levels, and improving responsiveness to the National Command Authorities, the Congress, and the American taxpayer.

All of this, of course, does not come inexpensively or without substantial involvement from both users and providers of information. The application of substantial resources, as well as increased training and education, will be required to achieve this vision. A failure to make this investment, however, is likely to perpetuate current financial management problems. In adopting this Plan, the Department intends both to apply the necessary resources and vigorously exercise its financial stewardship.

Section 2

Status Report

Subsection 2.1. Organizational Accountability Considerations

A. Control and Review Mechanisms

The Department's Chief Financial Officer (CFO) is responsible for developing financial management policies, effecting resource allocations, and overseeing the implementation of financial management systems within the Department. This includes the responsibility for monitoring Component efforts to comply with applicable accounting and financial management requirements. As reflected in the previous section, the Department has created several forums to ensure that a project management structure and appropriate accountability are in place to develop and implement effective financial systems. These forums, which include representation by and participation of top management and functional users in all phases of developmental efforts, include the Senior Financial Management Oversight Council, the Financial Management Steering Committee and the Defense Business Operations Fund Corporate Board.

B. DoD Finance and Accounting Operating Structure

The capability to standardize and integrate financial management practices and systems within the Department was established with the creation of the DFAS in January 1991. The DFAS has enabled the Department to better focus on (1) providing more timely, comprehensive, and accurate financial data; (2) consolidating and standardizing the Department's diverse financial and accounting operations, systems and policies; and (3) improving customer service, while reducing costs.

The Department has made substantial progress in consolidating finance and accounting organizations. Building on successful activation of the DFAS, a decision was made in December 1991 that the DFAS would assume full management responsibility for most of the non-tactical finance and accounting functions of the DoD Components. Through its Centers and a network of decentralized customer support facilities, the DFAS now provides most finance and accounting services throughout the Department.

1. Systems Standardization

On April 17, 1996, the DFAS established a Defense Accounting System Project Management Office (DAS PMO). The scope of the DAS PMO includes all migratory, interim migratory, and legacy accounting systems that DFAS substantially owns and operates. The DAS PMO mission is to manage the reduction of existing accounting systems. The DFAS goal throughout this process is to provide accurate, timely and effective customer support at a lower cost. The overall objective is to field electronically linked accounting systems that comply with generally accepted government accounting principles and standards, comply with the Chief Financial Officer's Act of 1990, and produce complete and accurate installation, command, DoD Component and

departmental level accounting reports and financial statements. The mission includes the elimination of unneeded or obsolete legacy systems and the modification of systems, where necessary, to meet accounting system requirements. Specific objectives of the DAS PMO are to:

- a. Design the optimum system architecture and reduce costs and manpower necessary to operate and maintain accounting systems.
- b. Interface or integrate accounting systems with other accounting, pay, and reporting systems.
- c. Replace current legacy systems throughout the Department with standard consolidated systems using technologically advanced data processing techniques and telecommunications capabilities.
- d. Standardize accounting data and processes, where appropriate.

2. Consolidation

Defense finance and accounting functions are being consolidated at five DFAS Centers and up to 21 new Operating Locations. The locations of the new sites were announced by the Deputy Secretary of Defense on May 3, 1994. Subsequently, an additional Operating Location was selected to consolidate finance and accounting operations in the Pacific Theater. Consolidation is expected to achieve savings through major financial management reform—streamlined operations; standardized procedures, systems, and operations; expanded use of innovative technology; increased workforce productivity; reduced overall staffing levels; and elimination of unnecessary procedures. While the new streamlined structure will focus on meeting requirements for timely, accurate, and cost-effective finance and accounting services, it is expected, also, to improve the integrity of financial information throughout the Department.

Over a period of several years, the Department plans to reduce the number of sites that perform the finance and accounting function and reduce the cost of providing such support, all the while keeping service to the DoD Components as a paramount objective. By the end of FY 1996, the Department had opened 17 of the 21 new Operating Locations and closed 230 of its 343 field activities. All the DFAS finance and accounting activities should be consolidated into no more than 26 sites by November 1998.

The decision by the Deputy Secretary to consolidate the Department's finance and accounting into significantly fewer sites was based upon a determination that doing so could:

- Eliminate redundant finance and accounting activities and unnecessary intermediate offices;
- Reduce the number of management, overhead, and support personnel;
- Require fewer financial resources, personnel, equipment, and facilities;
- Promote consistency in operations and interpretation of regulations, and strengthen internal controls;
- Provide a greater opportunity to improve operations through the use of advanced technology;

-
- Eliminate redundant finance and accounting systems and the support staffs that operate and maintain them;
 - Facilitate the replacement of noncompliant financial systems with those that comply with accepted standards and principles;
 - Provide a greater opportunity to improve the quality and consistency of financial information; and
 - Provide a greater opportunity to develop and implement a fully integrated standard suite of Defense Department finance and accounting systems.

In implementing new policies, systems and structure for the Department's finance and accounting operations, emphasis has been placed on practices and structures that could be standardized with the least difficulty across the Department, yet promote efficient financial operations. The planning process also identified good business practices and unique functions that could be centralized at selected DFAS Centers.

Financial operations in the future will incorporate accounting practices modeled on private sector business practices, with an elimination of redundant processes. Adopting these practices should improve customer service and simplify financial management by providing prompt access to financial information at all levels across the Department. As an outcome, financial information will be more accurate, consistent, and comparable. Auditable financial statements will be derived from systems using the U.S. Government Standard General Ledger, which will yield better financial management accountability and reduce the cost of financial operations. To achieve further efficiencies, the Department also is examining other functions and processes that might involve internal or external transfer.

With limited exceptions, the processing of day-to-day financial transactions will be accomplished by the DFAS Centers and the Operating Locations. These Centers and Operating Locations pass information among one another and other functional users and provide finance and accounting services and financial information to DoD customers. Specific Centers and Operating Locations will provide consolidated processing, such as centralized payroll and security assistance fund management. Financial analysis services will be provided by the DFAS Centers, although it is planned that financial information will be analyzed and reviewed by local command personnel. Consolidated processing, at both single and multiple centers, will increase communication requirements between the customer and the processing centers.

The DFAS is reforming its management structure to reduce layers of supervision and increase the ratio of staff to supervisors. The DFAS plans to continue to operate from a headquarters located in the Washington, D.C., area, five Centers (at Cleveland, Columbus, Denver, Indianapolis, and Kansas City), and 21 additional Operating Locations. The Operating Locations will report to Centers, and Centers will report to the headquarters. While the Centers and Operating Locations generally will be Component-aligned until single, standard systems are deployed, there will be numerous exceptions. Some Centers will perform certain functions for all Components, and some Operating Locations will serve multiple Components. Despite consolidation, a number of finance and accounting activities are expected to remain with the Military Services and certain Defense Agencies. These include tactical finance and accounting, finance and accounting for classified activities and the Military Exchange services, managerial accounting, funds certification, and

select data entry operations. In addition, in most cases, a small liaison support staff, reporting to each DoD Component, will remain at each installation.

3. Functions that Remain at Installations

Certain functions that support the finance and accounting mission are best performed at the installation level. For this reason, each DoD Component is expected to maintain a structure that interfaces with the DFAS Operating Locations. The following are the types of functions that will be retained at the installation level to support both installation commanders and DFAS Operating Locations:

- Funds distribution
- Approval of travel obligations and travel order data
- Review of travel claims prior to forwarding them to the operating locations
- Provision of electronic data and forwarding of documents to the Operating Locations
- Assistance to the Operating Locations with follow-up on problem transactions
- Preparation and processing of collection vouchers for checks and cash received locally
- Reconciliation of funding document differences
- Monitoring of legal limitations
- Printing of hard copy reports as required
- Interpretation of accounting reports for the installation
- Inputting of civilian pay data
- Inputting of accounting transactions (e.g., commitments, earnings, funds, inventory transfers, and real property transfers)
- Processing of receiving reports
- Provision of military pay liaison for inquiries and data entry.

Subsection 2.2. Systems Considerations

Currently, there are numerous accounting systems and practices in operation within the Department. The Department's goal, however, is not merely to consolidate these old systems. Rather, its aim is to create new, standardized, and more effective business practices that enable more efficient systems and produce more accurate and timely information. The Department is determined to streamline and strengthen its financial management, and facilitate the use of new technologies that reduce costs and improve service to its customers.

The Department expects to generate savings through the use of advanced technology and DoD-wide process improvements. Redundant finance and accounting systems, as well as the staffs that maintain them, are planned to be eliminated. Similarly, financial systems that do not comply with accepted accounting principles and standards are expected to be replaced. Using migratory systems should facilitate more rapid implementation of a fully integrated standard suite of departmental finance and accounting systems. All of this should improve both the quality and consistency of the Department's financial information.

A. Centralization

Military pay, retiree and annuitant pay, civilian pay, contract pay, transportation pay, debt management, security assistance finance and accounting, departmental accounting, and nonappropriated fund accounting are being centralized at a limited number of sites.

Installation and intermediate level accounting, vendor pay, and related disbursing operations are planned to be integrated at the DFAS Centers and at the Operating Locations. These functions are planned to be organized geographically for the Army, and Air Force, with all Marine Corps integrated functions at the DFAS-Kansas City Center. Navy integrated functions are planned to be consolidated by major claimant or business activity, with an entire major claimant or business activity consolidated at a single location.

Travel payments will remain with the DoD Components. The automated system effort supporting the Defense Travel System was terminated. The termination occurred because of a much broader refocusing of the travel initiative to re-engineer the overall business processes associated with the travel function. This re-engineering effort supersedes the original effort of smaller scope to automate the existing DoD travel processes.

At most military installations and activities, it is envisioned that liaison offices will be established by the respective DoD Components to function as principal contacts with the appropriate DFAS Centers and Operating Locations. It is expected that liaison offices will input data not entered by the originating activity and have oversight for transactions from local entitlement and accounting transaction-creating systems to the Department's accounting systems. This will facilitate service to customers at installations by distributing reports and assuring direct access to information from finance and accounting systems. For their part, the DFAS Centers and Operating Locations plan to have dedicated organizations to ensure continued good customer service.

Business practices will be simplified to eliminate unnecessary steps and streamline the processing of transactions. The Department intends to leverage the use of technology for the field input of data to minimize the requirement for human input and the physical distribution of documents. The electronic exchange of source data between systems and functional communities will be maximized. For example, enhancements are underway to use electronic data interchange to obtain obligation data for small purchases and major contracts from the procurement offices for update into accounting records, and invoice data from participating vendors. The standard Defense Civilian Payroll System provides the capability for one-time capture of time and attendance and labor data for obligation and cost purposes and an automated payroll reconciliation process. Where cross-functional integration is not available, local interfaces and customer access to operating systems are planned to be used. Initiatives are underway to standardize data so it can be shared among functions and passed freely among all of the DoD Components. This standardization should aid integration across departmental functions. In addition, innovative projects are under review to help departmental managers streamline their processes. Consistent formats and business practices are expected to permit the maximum use of shared data.

Imaging technology and standard document structures are envisioned to collect obligation, receipt, and certification data from hard copy source documents, and distribute data electronically for multiple use. Wherever possible, electronic files will be generated from data captured in

standard formats for the update of accounting records, and data disks will be used for supporting documentation in lieu of paper files.

To further the effective exchange of data between systems and communities, it is planned to use standard data elements in all DoD functional areas for funds control, fund status, expenditure tracking, ordering, and the like. Source data will be [used](#), wherever possible, and most documentation maintained at the source. Where documentation must be exchanged or sent from one party to another, standard formats and document imaging are planned to be used. Ultimately, the need for [duplicate](#) input data, manually or electronically, should be reduced.

Through the establishment of a central clearing house for departmental cash accounting, collection and expenditure actions by all of the Department's disbursing officers are expected to be registered daily and made available for processing into financial records. The account code structure used for reporting these transactions should allow for daily distribution to the appropriate accounting offices, permitting a timely exchange of data, reducing the need for hard-copy supporting documents, and minimizing the number and age of undistributed transactions.

B. Installation-Level Operations

It is planned that each accounting office will be responsible for updating data for billings, accounting adjustments, and reporting. However, the accounting office and the customer will share responsibility for accounting adjustments. The customer also will enter the units and jobs completed, the percentage of completion of an effort for revenue recognition, and modifications to the funding and work in process. Earnings generated in the period are planned to be billed using a no-check/direct-funding transfer wherever possible. In addition, the capability is planned to be available for the customer to make cost transfers with automatic cost distribution processes existing to support further the cost adjustment process.

A standard "trial balance" type of data feed, employing the U.S. Government Standard General Ledger will be used to meet internal and external reporting needs both for DoD Components and the entire Department. This should improve the availability of data for financial reporting and upper level management information needs.

Data is planned to be collected in accounting systems based on standard account postings, and data extractions will be based on standard departmental business area practices. All standard, custom, and special reports are expected to be extracted, as required, for management and external reporting needs with standard certified periodic data available in a central repository. It is anticipated that hard copy reports will be generated only by the users of those reports and printed at the local site.

A standard input and output format is planned to be employed to ensure a satisfactory relationship between the DFAS and its customers. Incoming data are expected to be input to the customer via screen or through an automated interface. Where local unique circumstances are present and interfaces are required outside those developed for use throughout the Department, the customer will be responsible for availability and compatibility of information.

A standard download and data query capability is planned to meet the management needs of the fund holders or DoD business activities. This is expected to better ensure that accounting data received from any source is consistent and compatible with local management information sys-

tems. Data is planned to be available in download files, which customers can extract in certain standard report formats for interface with management information systems, or for other ad hoc reporting. Hard copy reports will be generated only by those who need them and only where they are needed.

C. System Functional Characteristics

1. Military Pay

The Department's military pay operations support about three million uniformed men and women in the following categories, each with its own statutes, rules, regulations, and unique support structures: Active Duty, Reserve and National Guard, Academy Cadets and Midshipmen, Reserve Officer Training Corps, and Armed Forces Health Professionals Scholarship Program. About 1 million active duty personnel are paid twice a month (92 percent via electronic funds transfer), while most of the other categories are paid monthly.

For many years, centralized military pay operations have been aligned by Service. Today, Army pay operations are centralized at the DFAS-Indianapolis Center, Navy pay operations at the DFAS-Cleveland Center, Air Force pay operations at the DFAS-Denver Center, and Marine Corps pay operations at the DFAS-Kansas City Center. Non-tactical as well as tactical field-level military pay operations, primarily the preparation and input of transaction data, have remained under the control of the Military Services, except for those of the Army, whose non-tactical installation level functions were capitalized by the DFAS. In the case of the Navy and Marine Corps, field-level military pay operations are highly integrated with field-level military personnel operations. All Army and Air Force Active Duty, Reserve and National Guard personnel are paid by the Defense Joint Military Pay System. In addition, Army and Air Force Academy cadets and Naval Academy midshipmen, all Reserve Officer Training Corps and Health Professionals, as well as Air force Junior Reserve Officer Training Corps personnel also are paid by the Defense Joint Military Pay System. Because of the close relationship between military pay and military personnel, and the fact that each of the Military Services has a different military personnel system, there are no plans to consolidate centralized military pay operations further, with one exception: military pay for the U.S. Marine Corps is planned to be consolidated at the DFAS-Kansas City Center.

The Department has a strategic initiative to standardize and consolidate the automated systems that support military pay under the Defense Joint Military Pay System. This system is consolidating automated support for all Army, Navy, and Air Force military pay functions under the Joint Service Software system. Because the U.S. Marine Corps has integrated its military pay function with its military personnel function, its Active Duty and Reserve military pay are planned to be supported by the Marine Corps Total Force System. Significant savings are expected to be realized from standardizing military pay policies, procedures, and systems. Further savings may be achieved by transferring functions from the installation level to the remaining four DFAS Centers that provide centralized military pay service or eliminate the need for these functions through automated systems and state-of-the-art technology.

For the time being, the Military Services are planned to retain military pay customer service support organizations at the installation level (except, as noted above, for the U.S. Marine Corps).

Eventually, installation level military pay operations are planned to be phased out by automating the reporting of leave, changes of address, allotment changes, and the like.

2. Retiree and Annuitant Pay

All military retiree and annuitant pay has been consolidated into the Defense Retiree and Annuitant Pay System (DRAS), with all retirees paid at the DFAS Cleveland Center and all annuitants paid at DFAS Denver Center. This consolidation not only standardized policies and procedures across the DoD Military Services, but most importantly, reduced the costs of maintaining multiple systems. The DRAS consolidation effort effectively replaced eight systems. The DRAS initiative was completed on April 1, 1995.

3. Civilian Pay

Approximately 826,000 DoD civilian employees are paid through 10 systems from 67 locations. This is a substantial reduction in the original number of 27 systems and 350 payroll offices that were required before the Department began to standardize finance and accounting operations and systems. Over 557,000 employees currently are paid using the Defense Civilian Pay System (DCPS) from the DFAS-Denver Center and the DFAS operating locations in Charleston, SC; Omaha, NE; and Pensacola, FL. Approximately 113,000 employees are paid using the Defense Business Management System (DBMS) from the DFAS-Columbus Center. The remaining civilian employees are paid on 8 systems from 62 locations, with the payroll office functions generally performed at the installation level. All civilian payroll accounts, with the exceptions of those currently being paid by DBMS are scheduled to convert to DCPS by July, 1997. DBMS accounts are planned to move to DCPS during FY 1997 and 1998. Time and attendance data are captured at the workers' site and transmitted electronically to the payroll offices for the DCPS and DBMS. For some of the other systems, manual timecards are mailed or delivered by messenger services to the payroll site. Approximately 90 percent of the Department's civilian employees receive their pay via electronic funds transfer.

For DCPS, installation personnel are responsible for entering and certifying time and attendance data and employee initiated payroll changes such as U.S. Savings Bonds, taxes, address changes, and the like. DFAS has implemented standard interfaces between DCPS and the personnel and accounting systems.

4. Vendor Pay

Vendor pay is the payment of commercial invoices except for payments on the Department's centrally managed (usually large) contracts. Annually, vendor pay operations process nearly 55 million transactions (including contracts, modifications, receiving reports, and invoices) in making payments that total over \$98 billion. Currently, payments to vendors are processed at the installation level and supported by varying degrees of automation. For the most part, the procedures and automated systems have been customized for each DoD Component, and for some major commands and individual installations as well. Similarly, the interfaces between the current vendor pay systems and their associated acquisition, receiving, accounting, and disbursing systems are in various states of automation with many unique applications.

Vendor pay operations are planned to be consolidated at the DFAS site that performs the accounting for the activity that initiates the procurement. The integration of accounting with the primary source of accounting transactions should enhance the timeliness and accuracy of accounting records, while greatly decreasing the level of effort involved in account reconciliation. Significant savings and improved accounting reports are expected from this alignment. Furthermore, it is planned that the Department will reduce, to three, the number of vendor pay systems. The goal is a single vendor pay system, which will be possible when a single suite of accounting and disbursing systems is identified for use throughout the Department.

In addition, the Department intends to conduct a minimum of 85 percent of the Department's vendor pay business via Electronic Commerce/Electronic Data Interchange (EC/EDI). These are business practices that capture data in electronic form, at its source (electronic transactions), and use that data throughout the payment process, including the interfaces with disbursing and accounting systems. EC/EDI is being implemented throughout the vendor pay process, including both contracts and contract modifications, requisitions, invoices, receiving reports, application advices, payments orders, and electronic funds transfer (EFT) payments.

5. Transportation Pay

The transportation pay process involves making approximately four million payments annually for Government Bills of Lading and Government Transportation Requests. Three different systems are currently in use. Over 80 percent of the Department's payments to transportation carriers are made by the DFAS-Indianapolis Center; payments for the Navy are made from Norfolk, VA, and payments for the Marine Corps are made from Albany, GA.

As part of the implementation of the Defense Transportation Payment System (DTRS), the Navy and Marine Corps transportation pay operations are planned to be consolidated at the DFAS-Indianapolis Center. Most of the Department's transportation pay expertise already is resident at that location, and implementation of a modern transportation payment system already is in progress. The single automated payment system should include interfaces to the appropriate DoD Component transportation management activities and will maximize the use of electronic data interchange/electronic commerce.

6. Travel Pay

In 1995, DoD established a Travel Reengineering Task Force to streamline temporary duty travel. Based on the recommendations of the task force, the Deputy Secretary of Defense directed sweeping changes in the Department's travel processes. The first action was to establish a Reengineering Travel Transition Office to formulate policies and procedures for temporary duty travel. In September 1995, a Program Management Office was constituted to design and acquire a new Defense Travel System. The vision of this new system is to develop a seamless, paperless system that meets the needs of travelers, supervisors, and process owners; reduces costs, supports mission requirements, and provides superior customer service.

7. Disbursing

Disbursing, the process of making payments and receiving collections, is performed both at the DFAS Centers and installations. At the installation level, disbursing is performed for military pay (particularly “local” (partial) and advance payments), travel pay, vendor pay, and functions that have not yet been centralized at a DFAS Center. Some Centers, as well as some installation-level disbursing offices, have multiple Disbursing Station Symbol Numbers (DSSNs), necessitating multiple reports. Disbursing officers (the holders of DSSNs) report financial transactions to an assigned DFAS Center (or intermediate Defense Accounting Office under certain circumstances) on a daily, weekly, or monthly basis in accordance with financial reporting requirements. The Centers consolidate these reports with their Center-generated data and report the transactions to the Treasury Department.

The Department plans to consolidate disbursing operations at its Centers and Operating Locations on interim migratory disbursing systems (the Standard Finance System-Redesign, Subsystem I for the DFAS Centers in Columbus, Indianapolis, and Kansas City; the Standard Accounting and Reporting System for the DFAS-Cleveland Center; and the Integrated Paying and Collection System for the DFAS-Denver Center). Eventually, the Department plans to implement a DoD-wide standard disbursing system at its Centers. To the maximum extent possible, all payments will be made by electronic funds transfer.

With the increasing use of electronic funds transfer, the printing of Treasury checks will be reduced substantially from the 260 sites performing this function today. This reduction will be accomplished in phases. Initially, when a field finance and accounting activity is consolidated, the bulk of its check printing function will be transferred to the supporting DFAS Center or Operating Location. At first, each Operating Location is scheduled to possess a check printing capability. During the second phase, all check printing is planned to be consolidated at the five centers. During the final phase, all check printing is expected to be consolidated at no more than two DFAS Centers. Should the requirement for check printing decline sufficiently, it may be possible to consolidate all check printing at one Center.

Disbursing at the installation level largely will be eliminated. Most payments will be by electronic funds transfer from a DFAS Center or supporting Operating Location. Travel advances are expected to be provided through automated teller machines using the Government-wide travel charge card. Similarly, emergency local purchases are planned to be made using the Government-wide small purchase credit cards, with the actual payments made by a Center or supporting Operating Location. Where a disbursing capability is required at the installation level for customer service purposes, a deputy or agent can be appointed with limited cash authority (and limited check issuing authority in the case of deputies). These deputies or agents would be Military Service members or employees accountable to a DFAS Center or Operating Location disbursing officer.

8. Debt Management

Military out-of-service debt collections are centralized at the DFAS Centers, with over 190,000 cases being processed annually. For in-service personnel, debt management is an integral part of current military pay, retiree and annuitant pay, civilian pay, travel pay, and disbursing

systems. Similarly, initial debt collection activities are an integral part of current transportation payment, vendor payment, and contract payment systems. Contractor debt collection, amounting to more than 2,000 cases totaling approximately \$1.8 billion, is managed by the DFAS-Columbus Center. Contractor debt is managed through a single system, the Defense Debt Management System (DDMS).

The DDMS is used both for military and civilian out-of-service personnel and delinquent contractor debt collection. The system's functional operation and host computer are controlled from the DFAS-Denver Center, and used by the other DFAS Centers. The DFAS-Columbus Center uses DDMS exclusively for management of delinquent contract debts. Debts for out-of-service civilians, previously managed by the DFAS-Columbus Center, were consolidated at the DFAS-Denver Center in November 1994.

9. Security Assistance Finance and Accounting

Finance and accounting related to agreements that enable foreign governments to acquire U.S. military equipment, weapons, and training requires over 700 work-years annually. Not quite half of this effort is centralized at the DFAS-Denver Center, but the majority of the personnel performing these functions reside at a variety of locations and use over 20 different accounting systems. While finance and accounting resources in general are being reduced as the Department downsizes, the security assistance program has grown steadily since the mid-1980s.

Centralized security assistance finance and accounting operations have long been performed at the DFAS-Denver Center, and the Department's primary expertise base in security assistance finance and accounting is located at that site. The Department plans to consolidate stand-alone security assistance finance and accounting functions—including accounting, disbursing, billing, funding, debt collection, and country and case financial management at a single Center or Operating Location.

To the maximum extent feasible, consolidating security assistance finance and accounting operations in Denver should result in the least disruption and loss of expertise. However, where security assistance finance and accounting operations are integrated into other installation operations, the DFAS will look at the feasibility of converting those functions to a standard system on a case-by-case basis.

10. Nonappropriated Funds Finance and Accounting

Nonappropriated funds finance and accounting for Army, Navy and Air Force installation-level cover the accounting, payroll, and bill paying operations for officer and enlisted clubs, hobby shops, billeting funds, and similar activities not funded from DoD appropriations. It does not include finance and accounting functions for the nonappropriated fund exchanges.

These functions are performed at 220 sites using a variety of systems: the Air Force has 90 installations, each of which uses its own in-house finance and accounting system controlled, maintained, and updated by the Morale, Welfare, and Recreation Services headquarters located in San Antonio; the Army has 20 sites, 75 percent of whose finance and accounting is performed at the Red River Army Depot in Texarkana, Texas; the Navy has 110 sites using two systems that are controlled, maintained, and updated by its Morale, Welfare, and Recreation headquarters in

Millington, Tennessee; while the Marine Corps' nonappropriated funds are consolidated with the Marine Corps Exchange.

11. Installation and Intermediate Level Accounting

Installation and intermediate level accounting includes not only maintaining an installation or intermediate commander's status of funds, but also maintaining required procedures and controls to ensure that proper accounting policies are followed. These accounting services are, for the most part, provided by the DFAS using existing DoD Component systems and procedures. The operations generally are performed at decentralized field offices located at the various installations. The DFAS-Columbus Center provides centralized accounting support to the Defense Logistics Agency, the Defense Contract Audit Agency, the Defense Commissary Agency, Navy and Air Force inventory control points, and the DFAS itself; other Centers have small accounting operations. These accounting functions are performed using a wide variety of systems. In the case of business fund accounting, the financial systems frequently are integrated with the functional systems (e.g., inventory accounting).

The consolidation of the Department's installation and intermediate level accounting is planned to be Component-aligned. This is a pragmatic decision primarily based upon system considerations. While a single standard DoD-wide system remains a fundamental long-range goal, the Department recognizes that this goal cannot be achieved within the desired consolidation timeframe. Instead, the Department has adopted the intermediate goal of developing standard suites of migration systems by Component. Initially, different migration systems are expected to be used for general and business fund accounting in most cases. This is necessary because of the multitude of interfaces with Component-unique feeder systems in other functional areas. Achievement of this intermediate goal will result in greater progress towards standardization than ever before has been attained by the Department.

12. Departmental Accounting

Departmental accounting involves the consolidation of status of funds and cash accountability reports at the agency and department level for submission to Treasury, the Office of Management and Budget, and the DoD Components. Departmental accounting currently is performed at three primary sites on separate systems: DFAS-Indianapolis Center for Department of the Army funds and also for Defense Agencies and Defense-wide funds; DFAS-Cleveland Center for Department of the Navy and Marine Corps funds; and DFAS-Denver Center for Department of the Air Force funds. The DFAS-Kansas City Center provides reports on Marine Corps funds to the DFAS-Cleveland Center and DFAS-Columbus Center provides reports for some Defense Agencies to the DFAS-Indianapolis Center. The Department is pursuing the development and implementation of a single cash accountability system and a single departmental reporting system.

13. Contract Pay

Payments on approximately 96 percent of the 1.4 million invoices for the nearly 400,000 centrally managed, high dollar-value, U.S. and Canadian currency contracts (including European contracts paid in U.S. and Canadian currency) are made by the DFAS-Columbus Center or its detachment

in Albuquerque, New Mexico. These payments are made mostly via an integrated contract management and payment system (Mechanization of Contract Administration Services (MOCAS)). Although MOCAS is no longer identified as the standard DoD contract payment migration system, it remains active and serves as an effective DoD contract payment legacy system. The newly proposed standardized DoD system for contract payments (currently under development) is the Defense Procurement Payment System (DPPS). One of the key elements of DPPS will be the systems integration with the Standard Procurement System, the Standard Logistics System, and the Shared Procurement Data Warehouse System. In addition to the contracts paid at the DFAS-Columbus Center, a relatively small number of large Navy contracts are paid using a variety of payment systems. In addition to determining contractor entitlements and disbursing payments, the DFAS-Columbus Center also adds to the MOCAS database used by the Department's contract administration community. Seventy percent of the dollar value of these major contracts is paid using electronic funds transfer.

DFAS also is implementing EC/EDI in the contract pay area. Currently, efforts are underway to transmit contract data from four major contract writing systems to the contract payment system (MOCAS) and seven accounting systems. This automated effort will eliminate duplicate data entry and make timely distribution of contractual and financial data.

14. Defense Business Operations DBOF

Navy Depot Maintenance, and Research and Development (R&D) Business Areas. NAVAIR Industrial Fund Management System (NIFMS) is the DBOF Corporate Board approved system for these two Navy business areas. NIFMS will replace the Navy R&D and Depot Maintenance legacy accounting systems. NIFMS currently is being deployed to the Marine Corps Logistics Base in Albany, Georgia and at the first R&D site in October 1996. NIFMS is being enhanced to provide additional functionality for the R&D Business Area. NIFMS will be fully compliant with CFO and FMFIA requirements by September 1998.

Information Services Business Area. By February 1997, this entire business area is expected to be supported by two migration systems. The Industrial Fund Accounting System (IFAS) will be supporting the Defense Information Systems Agency, Army, Navy, and Air Force Central Design Activities (CDAs). The Defense Business Management System (DBMS) is supporting DFAS, Defense Logistics Agency, and the Fleet Materiel Support Office CDAs.

Transportation Business Area. Existing Service Transportation Accounting systems are expected to be replaced by the Corps of Engineers Financial Management System (CEFMS). In FY 1997, CEFMS will begin modification to comply with DBOF accounting and reporting requirements. CEFMS will replace the Military Traffic Management Command's Financial Management System and the Airlift Services Industrial Fund Integrated Computer System. Beginning in FY 1998, accounting workload for this business area will migrate to CEFMS.

DBOF Reporting. The Central Data Base (CDB) has been selected as the DoD departmental level reporting system for DBOF financial reports. CDB will be converted to a common relational data base architecture consistent with regulatory and statutory requirements such as: Budget and Accounting Classification Code (BACC), Electronic Commerce/Electronic Data Interchange (EC/EDI) standards, Antideficiency Act, the Chief Financial Officer Act (CFO), etc. Benefits to be derived from this upgrade include: (1) presents all DBOF reports using the U.S. Standard

General Ledger, (2) enables interactive processing and improved audit trail capabilities, (3) simplifies data base table maintenance, and (4) improves system performance. CDB will be deployed to additional DFAS Centers in order to support its broader support function.

Navy Supply Management Business Area. An initiative has been approved to consolidate financial management support for the Navy retail and wholesale supply management business area under one system. This system is the Material Financial Control System (MFCS). This will consolidate Navy's entire Supply Management Business Area onto one accounting system. Six legacy systems will be eliminated by this initiative. It is anticipated that the conversion to MFCS will be completed by FY 2000.

Air Force Supply Management Business Area. DFAS is studying the feasibility of recommending the merger of Air Force wholesale and retail inventory accounting under the Standard Materiel Accounting System (SMAS). Currently, SMAS is the designated migratory system for Air Force retail inventory, while the Financial Inventory Accounting and Billing System (FIABS) is the designated wholesale inventory system. Both SMAS and FIABS have planned upgrades to make these systems CFO and DBOF policy compliant systems. The primary advantage of this consolidation is that it would allow DFAS to field and maintain a single inventory system at the five DFAS Operating Locations supporting Air Force logistics operations. By FY 1998, three legacy systems supporting 5 commodities will be eliminated by moving accounting support to SMAS for medical supply inventory, the Standard Base Supply System, and Air Force Academy Bookstore.

Commercial Off-the-Shelf. A contract was awarded in April 1996 to Digital Systems Group, Inc., to provide DBOF accounting support for the Public Works and Printing and Publications business areas. A delivery order has been issued for installation and testing of the system at Public Works Center - San Diego, the prototype test site, by December 1996. The remaining Public Works and Defense Printing Service locations are expected to be operational by February 1998.

D. Technology Improvement

Currently, the Department has a large inventory of non-standard systems that were designed five to twenty years ago by the DoD Components. These systems were intended to operate in a specific operating environment to support user unique business practices and requirements. The capitalization of finance and accounting systems provides the opportunity to evolve into an environment that is integrated, interoperable, flexible and efficient. This is being accomplished through the development of a common, multi-purpose, standards based technical architecture and the standardization of functional business practices.

Primary components of the information management strategy include: an enterprise architecture; a standard software support environment; a standard technical architecture (software and hardware); use of enabling technology; an acquisition vehicle and security standards and capabilities.

Information management strategies and initiatives have been developed to facilitate the migration of the DFAS systems into a target environment based on the following goals:

- Technical competence in new technology
- Systems responsive to customer needs
- Efficient management of system development and maintenance

-
- High capacity telecommunications at the lowest cost
 - Support improved business practices through the use of integrated new technologies
 - Increased system integration across functions
 - Increased use of electronic interfaces
 - Standard system release practices and testing
 - Migrate to a paperless environment
 - Single source data entry.
 - Increase information processing efficiency of applications

Many of the information management strategies will be integrated into automated information system initiatives (i.e., user interfaces, imaging, electronic commerce, expert systems and implementation of data standardization) and accomplished as an element of design or development efforts based on policy or program guidance. The enterprise integration initiatives—data modeling, process modeling and standard data elements—are near completion and establish a process for maintaining a shared, standard repository of information. Other initiatives are in various stages of completion (software process improvement, managing application performance program, teleservices, and Enterprise Local Area Network).

1. Enterprise Integration

Enterprise Integration (EI) represents a partnership of functional and technical management to achieve a combination of improved processes and effective application of information technology within and across the functional areas of the Department. The EI approach treats data as a corporate asset and assigns responsibility to the OSD level Principal Staff Assistants for systems within their areas of purview. This approach relies on greater up front analysis and integration of business requirements. The result is intended to be reengineered business processes that efficiently capture and share data and standard systems for each business requirement.

The EI approach to business requirement analysis makes use of information and activity models from which systems will be developed. Data models make use of the principles of information engineering to eliminate data redundancy, while activity models depict business requirements as standard non-redundant activities that can be combined into various business process scenarios. The models serve as an implementation-neutral view of the business. They reduce the documentation to an unambiguous and all-inclusive depiction of the functional requirements. This will lead to much greater flexibility and ease of system development and maintenance, with reduced human intervention and greater conformance to functional requirements.

The benefits of EI will be reduced costs of systems development and maintenance, improved business processes, improved availability of information for decision making, and much greater functional control of, and accountability for, the systems.

2. Data Modeling

The DoD Finance and Accounting data model serves as the basis for the development of DoD-wide standard data. The information engineering approach fosters development of an objective

data model independent of the systems in which the data is captured and processed. This approach results in a robust data model which serves as the basis for the development of department wide standard data.

While the Finance and Accounting Data Model covers most of the information requirements to support the finance and accounting functions, there are areas which require more development. The most notable area remaining is pay, covering both the civilian and military payroll computations. This area will be covered based on the payroll modeling effort previously performed.

3. Process Modeling

The original DoD Finance and Accounting Process Model, and supporting Process Action Diagrams, were developed during 1992 to 1994 using the Assistant Secretary of Defense (Command, Control, and Communication) Corporate Information Management Process Guide and applying the information engineering analysis principles. The Process Model clearly depicts the steps, operations, and information needed to perform business activities. It shows those aspects of the business in graphic form independent of physical implementation considerations such as timing, systems, or organizations. Although the activity model will serve as a solid foundation for future system development, it also is a valuable tool in the near term. For example, the activity model now is being used to support the development of the new Defense Procurement Payment System. Updates to the DoD model are made as necessary.

4. Standard Data Elements

The Department views data as a resource and commits itself to the efficient and effective use of standard data. Consequently, the Department is committed to the development and implementation of finance and accounting data standards to support both DFAS and DoD-wide strategic goals. The DFAS data administrators work with other communities to achieve data standardization in interfacing functions. The intent is to provide flexibility to meet customer data needs and reduce information resource costs.

The DFAS strategy for data administration is based on high level planning with a top-down modeling approach to achieve data standardization. The DoD Finance and Accounting Data Model was completed in FY 1994. Updates to this model are made as necessary.

The DFAS has conducted inventories of legacy system data which reside in Center migration system data dictionaries. The DFAS has submitted to the Functional Data Administrator some 700 standard data items for DoD wide review and approval as standard data. To date, about 500 of those items have been approved and are under the stewardship of the Under Secretary of Defense (Comptroller). The candidate standard data are developed based on the information model and requirements documented therein.

E. Information Technology Strategies

The DFAS computing strategy implements common software engineering practices supported by a standard technical architecture referred to as the Software Engineering Environment (SEE). SEE implements a technical architecture of hardware, communications, and engineering support

software. This strategy establishes a future target which will guide the definition and implementation of common practices and the acquisition and installation of components of the software engineering support technical architecture. The computing strategy pursues:

- Implementation of DoD mandates for open systems in the Technical Architecture Framework for Information Management;
- Implementation of the DoD mandate for the use of Ada as the DoD-standard programming language;
- Software engineering productivity increases through the Software Process Improvement Program;
- Common software engineering practices across the DFAS facilitating cross-leveling of work and presentation of a single face to customers;
- Integrated Software Engineering Environment with a strong repository supporting reuse of data and processes across all financial systems;
- Re-engineering of all migratory applications to the target Application Execution Environment defined in the computing strategy for Operational Support; and
- Integration and alignment of applications to support a user-defined target functional architecture.

1. Software Process Improvement (SPI) Program

The SPI Program directly supports the Department's business goal to implement a standardized central design activity function within the DFAS. The SPI program does this by defining and institutionalizing a set of common procedures that will be used to develop, modify and reengineer automated information systems. This standardization will support cross-leveling of personnel across the organization in order to manage and balance workload requirements as they change, and will facilitate improvement of software quality via a corresponding improvement in the process used to develop, maintain, and reengineer software.

The SPI Program also supports the Department business goal of Business Process Reengineering, by concentrating on effective software development practices that have proven worthwhile within the overall software industry. The SPI Program is an example of continuous process improvement, in that processes, once standardized, will be evaluated regularly and changed in a disciplined way to implement innovations and improvements in technology and techniques.

The SPI program is centrally managed. The program currently embraces six organization-wide working groups in the key process areas of Configuration Management, Software Quality Assurance, Project Management, Software Subcontract Management, Software Testing, and Requirements Management. These groups design processes in assigned subject areas. Then, Software Engineering Process Groups assist local management and staff to implement the standard processes. Implementation will be accomplished incrementally with the major migratory and interim migratory systems.

2. Managing Application Performance (MAP) Program

The mission of information management is to deliver high quality, high performance, cost efficient information systems that assist end-users in executing day-to-day operations. The application system provides the critical link between information and the end-user. It is here, at the application system level, where a focus on efficiency improvement can actually deliver more productive work, while consuming fewer resources.

The goal of the MAP Program is to reduce computer resource consumption and costs by 20 percent. Savings will be achieved through reduced CPU utilization, application runtime, and input/output activity. Redesigned applications achieve the same end user results using fewer resources by eliminating redundant or poorly designed processes. Applications are selected on a business-case basis, focusing on migration and interim migration systems, where the preliminary analysis indicates significant potential for processing improvements. The MAP Program utilizes commercial off-the-shelf application performance tools, a well-defined methodology, and a staff of trained performance analysts to work with the DFAS Financial Systems Organization design personnel. The performance tools produce reports which identify and isolate application inefficiencies. These tools eliminate the time-consuming and labor-intensive analysis methods previously used.

Efforts will continue within the MAP Program to identify candidate applications where performance enhancement is warranted. Currently, this project is limited to those platforms utilizing multiple virtual storage operating systems/customer information control systems; however, the program will expand to other platforms used by the DFAS.

F. Enabling Technology Strategies

In addition to new technology in system development and maintenance, the DFAS intends to use enabling technology in various business areas to improve productivity and reduce overall costs. These other technologies are in the areas of imaging, hypertext, teleservices, EC/EDI and communications.

Enabling technology will apply to finance systems, accounting systems, consolidations, and on-going business practices in existing DFAS Centers and the evolving Operating Locations.

1. Imaging

The DFAS Document Imaging Program is a comprehensive business process improvement initiative designed to reduce the overall operational cost of DoD financial activities, and improve the delivery of customer services. This initiative supports the DFAS Strategic Plan to apply aggressively new methods and technologies to improve customer service and reduce operating costs. Imaging can capture data electronically, eliminating time, expense and errors resulting from manually entering data. Under the Imaging Program, the DFAS plans to house documents in master repositories located at each of its Centers and Operating Locations. User workstations will access digital documents from these repositories.

The Imaging Program Management Plan was approved by the DFAS in March 1994. Initial imaging support will be applied to the Operating Location functions of vendor pay, travel pay, civilian pay, accounting support, and disbursing; as well as Center requirements for contract pay garnishment, and debt management. Civilian pay also will be examined as a potential imaging candidate. The DFAS-Kansas City Center plus the Operating Locations Omaha and Charleston have been selected as pilot locations for the use of electronic imaging.

The Imaging Program will focus on initiatives to improve work flow processes and reduce cost by:

- Reducing the volume of paper required in the business centers;
- Speeding processing by inserting network functions to control distribution, cataloging and maintenance of large volumes of paper;
- Reducing the manpower, and space requirements for retention of backup data with the deployment of high capacity magnetic, optical, and video storage media;
- Improving customer service through use of image sharing and on-line matches of images;
- Reducing photo copies, manual sorting , fees and penalties for late payments, duplicate data entry and document retention; and
- Establishing an Electronic Commerce environment through the dual utilization of imaging and Electronic Data Interchange.

The Imaging Program supports other DFAS initiatives with enabling technology in support of functional process improvement and the consolidation effort for legacy, migratory, and target architecture.

2. Hypertext

The Hypertext program is a part of the DFAS's customer service offering for business process improvement. The goals and objectives of the Hypertext program are to facilitate the DFAS administration and publication practice for maintenance of documents such as regulations. The plan is to develop an electronic document system utilizing Hypertext technology. This medium will provide an enhanced text format allowing users to move quickly throughout the document with cross-reference definitions and footnotes to facilitate self-teaching and streamline references. This technology decreases scrolling through documents and increases the direct lookup and quicker retrieval of linked indexed documents.

The strategic plan for accomplishing these goals are:

- Issue policy and procedures to facilitate the implementation of Hypertext;
- Provide training required to the DFAS staff to do Hypertext, and streamline the learning process for the DFAS personnel;
- To provide the necessary hardware and software required at the DFAS Center and operating location levels to do Hypertext; and
- Establish Hypertext contractual support for the DFAS Centers and operating locations.

The Hypertext technology provides the users with the benefit of transition from paper to electronic media and reduces the volume of paper required throughout the process.

3. Teleservices

The Teleservices Program is a business process improvement effort to improve customer service and reduce the cost of financial operations. The Teleservices Program goals are to integrate productivity tools with the finance migratory systems to support financial operations, reduce costs, and improve customer service.

The primary component of the Teleservices Program is the Teleservices Call Management System (TCMS). The TCMS is a DFAS-wide support strategy to manage all customer contacts - telephone and written inquiries and service requests - at the DFAS Centers and Operating Locations. The Personal Identification Number program is required for teleservices offering interactive access to sensitive, non-classified financial information covered by the Privacy Act.

The TCMS applies telecommunications innovations with telephone services to provide our customers with alternate access to personal financial data. Automating the routine function of telephone inquiries with voice processing and interactive voice response will provide new and enhanced services to DFAS customers. TCMS initiatives support retired and annuitant pay, active duty and reserve pay, travel pay, transportation pay, contract and vendor payments, and other consolidated activities that receive a high volume of customer inquiries.

4. Electronic Commerce/Electronic Data Interchange (EC/EDI)

President Clinton's memorandum of October 26, 1993, stated an Administration commitment to fundamentally altering and improving the way the Federal Government buys goods and services by ensuring that electronic commerce is implemented for appropriate Federal purchases as quickly as possible. The heads of each executive department or agency were directed to assist the President's Management Council in implementing the electronic commerce system as quickly as possible.

As part of the President's Electronic Commerce initiative and in cooperation with the Chief Financial Officers Electronic Commerce committee and the Financial Implementation Team for Electronic Commerce, the DFAS will assist with widespread adoption and implementation of electronic commerce concepts for financial operations across the Department. The DFAS has established an Electronic Commerce Program Office which is responsible for identifying and implementing—to the maximum extent possible—EC/EDI and Electronic Funds Transfer (EFT) across the DFAS.

The private sector and DoD activities have been using EDI to exchange business information since the 1960s. By exchanging information electronically, they have been able to reduce errors in data entry, eliminate mailing costs, decrease paper handling, reduce inventories, improve cash management, and shorten order times. Today, our long term goal is much broader and more encompassing. The Department will use EDI as a tool to change fundamentally its business practices from a paper-based document process to a totally electronic environment.

Some of the Department's highest EC/EDI priorities include: implement the processes in program management systems to electronically request the validation of funds and recording of commitments in the accounting systems; implement the creation of electronic contracts and contract modifications in the contract writing systems and the recording of them in the payment and accounting systems; implement the processing of electronic receiving reports to the payment and accounting systems; implement the acceptance and processing in the payment systems of electronic invoices from vendors; and automate the pre-validation of payments against obligations prior to disbursing. In addition, the scope includes increasing the use of EFT, registering small vendors, establishing DoD Standard Implementation Conventions (IC) for our financial community, and implementing recommendations developed in conjunction with the Acquisition and Financial Management Panel. This Panel, established by direction of the Deputy Secretary of Defense, developed, through a working group, 48 recommendations that focused primarily on short and mid-term improvements. These improvements include implementing the use of standard ANSI X12 transaction sets to transmit contract and contract modification data from contracting systems directly to contract administration, contract payment, and accounting systems. This will reduce manual data entry and improve data integrity across systems. Implementation of these improvements will be phased in over the next several years.

Significant efforts are underway in several of the above areas. Pre-validation efforts have been implemented in the major accounting systems for MOCAS payments utilizing the DFAS developed Pre-validation System. The effort to provide electronic contracts to the payment and accounting systems are in the test phase. Electronic invoice processing has been implemented in MOCAS. Most of the vendor payment systems are producing EFT payments. Other vendor payment systems are in the programming phase for automating invoices and receiving reports.

One of the most important benefits achieved by utilizing EDI end to end is one-time data entry. By capturing critical data at the beginning of our processes and utilizing EDI to forward data, we eliminate the opportunity for data errors. With data error eliminated, accurate information is achieved, and the number of people and the amount of time spent on researching errors is reduced.

5. Communications - ELAN

The DFAS has developed a standard Enterprise Local Area Network (ELAN) architecture to provide a single network image to both users and applications, shielding them from where services originate, as well as the underlying technical details. The objective network services environment is based on standards that are emerging from national and international standards activities. These services are provided to applications and users requiring access to data and processes residing anywhere in the network.

These services can be logically divided into directory services which provide identification and location of network resources; platform interface services which includes data transfer, message handling, and remote resource access; and application interface services which allows applications to exchange information with other applications. The DFAS networks will support data, voice and video through a multiple media technology.

The migration strategy for network services required to support mission applications involves standardizing on Transmission Control Protocol/Internet Protocol in support of plat-form-to-

platform communications and client/server applications. As emerging standards and associated products mature, this environment will evolve to include such things as the distributed computing environment, the distributed management environment, Kerberos security access controls, the simple network management protocol and, ultimately, open system interconnection. The ELAN will allow for connection to the Internet. This connection will foster the use of EC/EDI. The Internet connection will also foster our communications with our external customers and provide the DFAS elements with better access to internal documents and information.

6. User Interfaces

The user interface supports direct human-machine interaction by controlling the environment in which users interact with applications and the processing platform. The baseline environment consists of applications requiring character based input through dumb terminals or dumb terminal emulation. These applications lack standard presentation (look and feel) primarily because they were developed by different organizations. The objective environment is dictated by existing and emerging standards such as GOSIP, POSIX, and the DoD Human Computer Interface Style Guide. This environment can be characterized as providing a common look and feel, where icons are manipulated to process tasks. Users will be provided with a flexible, tailorable environment that shields them from the details of the underlying technical infrastructure. The existing technical infrastructure in the DFAS user community is conducive to supporting Microsoft Windows. Many DFAS users are already familiar with the Microsoft Windows environment. The near-term DFAS strategy will be to build on this familiarity and implement a Windows-based environment in the software development environment and in DFAS developed applications.

Where possible, we will acquire development tools that can generate character-based X Windows and DOS MS-Windows applications for workstations and local and wide area networks. This provides a migration path from the character-based environment to a graphical environment, and will allow for X Windows whenever the underlying technical infrastructure supports it.

The migration strategy for the user interface will introduce a graphical user interface environment in the DFAS development and production environments. The migration strategy initially will focus on establishing the infrastructure that can support MS-Windows-based applications. It will be necessary to introduce Graphical user interface applications prudently, starting with applications that are limited in scope and numbers of users.

G. Management Information Support

The Department is developing the capability to extract financial information from existing systems in a user friendly “warehouse” environment for the purpose of providing managers with consistent, accurate information for decision making on improving and reporting on financial operations. The complexity, timing, and reliability of retrieving legacy data for corporate enterprise decision making and reporting is a cumbersome process. The data is located on multiple platforms, in multiple data stores, in disparate systems. The current data is collected in distinct operational systems for specific business purposes, rather than for overall corporate enterprise use by senior managers. The integration of knowledge contained in these separate systems is hampered by the timing of non-integrated information, sometimes resulting in unreliable information. Additionally, the time to gather information in multiple sources can be longer than required for the business

need. The existing systems were developed using different business rules and technical operating environments with little in common with one another. The management information provided by these numerous data processing applications often require complex cross-referencing to attain the precision to support cross functional views of management, information systems, and performance data. The existing systems vary in hardware platforms, communications networks, functionality provided, and operating environments. They support required Management Information Support (MIS) functions common to all locations, and contain both unique and similar information. An integrated data store will result in efficiency of data retrieval and data consistency in information gathering or reporting.

The maturity of technology has opened the opportunity for creating a common data store derived from the existing MISs. The common usage for this type of data store is a data warehouse. The speed of computers measured in millions of instructions per second (MIPS) has increased. The vendor tools for query or relational on-line application processing (OLAP) has become more user friendly for the business analyst through the use of meta data. The vendor tools have become more flexible and faster through new techniques and evolving technology. The disk storage capacity of computers is growing. Client server technology has opened the opportunity to share data between business area and for upper management to view the overall business. The technological improvements in computer hardware and software allows for the development of a warehouse of enterprise data.

The functional requirements of the warehouse for the Financial Operations Reporting and Improvement SysTem (FORIST) MIS is not limited to a singular functional area. The view of the data will change. Rather than a system that is implementing a singular functional view, the proposed system will utilize a corporate enterprise view of data to implement cross functional views required in the management and reporting of the DFAS. The system will be one of direct end-user access to data through a single integrated relational database. The increased access to data will empower the senior manager in the support of their management decisions and reporting. FORIST will acquire data from the following systems for presentation to the larger enterprise community.

1. Audit Review and Tracking System (ARTS)

The ARTS is the DFAS standard Federal Managers' Financial Integrity Act (FMFIA) Section 2 system and central repository for recording, monitoring and analyzing all FMFIA and accounting and finance internal control weaknesses and corrective actions. ARTS performs six major functions: (1) identifies and defines assessable units by Center; (2) schedules and maintains status of internal management control reviews (IMCRs); (3) reports results of IMCRs; (4) reports corrective actions; (5) reports plans of action and milestones and status of corrective actions; and (6) produces the section 2 report of the Annual Statement of Assurance.

2. Audit Liaison and Follow-up (including hot lines, Situation Reports (SITREPs) and Congressional responses) System (ALFS)

The ALFS is the DFAS standard Audit Liaison/Follow up, Hot lines, SITREPs, and Congressional Response control and analysis system and is currently under development. ALFS will also tracks special interest items within this subject area. ALFS will perform four major functions:

- (1) record, control and monitor all audits, holiness, SITREPs, and Congressional responses;
- (2) assign responsibility and track status; (3) record weaknesses and corrective actions; and
- (4) ensures consistent responses to audit, hot lines and congressional inquiries.

3. Accounting Systems Requirements Database (ASR)

The ASR is the DFAS standard FMFIA Section 4 system used to evaluate DoD accounting and finance systems and record results. ASR performs four major functions: (1) records the statutory/regulatory requirements for which accounting and finance systems must comply; (2) presents the statutory/regulatory requirements by functional/business area and by type of system; (3) prepares automated review guides for evaluating systems and recording results; and, (4) analyzes results of the evaluations and produces reports.

4. System Inventory Database (SID)

The SID is the DFAS system for maintaining the inventory of accounting and finance systems. SID performs two major functions: (1) records the required data on all DoD accounting and finance systems, DFAS administrative systems and information resource management projects and (2) provides the link to systems data in other databases; and provides data for FMFIA Section 4, DoD CFO 5 Year Financial Management Plan, Paperwork Reduction Act and IRM reporting.

5. Resource Analysis Decision Support System (RADSS)

The RADSS is the DFAS standard DBOF unit cost/budget execution controlling, monitoring, reporting and management information system. It records and monitors unit cost, budget, finance, personnel, and work load data. RADSS also includes expenses and obligations and provides queries against unit cost data and organizational level unit cost reports. In addition, RADSS provides for data analysis and reporting to managers.

6. Information Technology Budget (ITB)

The ITB is the DFAS system for budgeting, recording, monitoring and tracking projected cost of information management projects including systems.

7. Performance Measurement Indicators (PMI) Systems

The PMI is the DFAS standard system for the Government Performance and Results Act and is used to control, monitor and track operational performance and performance measurements.

PMI: (1) gathers, records, monitors and tracks performance measurement indicators; (2) analyzes indicators against performance criteria; and, (3) reports results.

8. Operation Mongoose On-Line (OMO)

The OMO assists managers in establishing, monitoring and tracking potential fraud cases.

9. Configuration Management Information System (CMIS)

The CMIS is the DFAS standard system for entering and tracking all DFAS system change requests. CMIS records the requested change, assigns a unique number, links different review and approval levels, and monitors status.

10. Labor Reporting System (LRS)

The LRS captures hours worked by task within a project/program. This source data supports the earned value computations related to actual versus planned hours for systems modification and development activities among other types of project tracking and management data.

11. Strategic Business Plan (SBP)

The SBP is the DFAS umbrella data base containing a series of coordinated, dynamic, and detailed tactical plans that will provide a blueprint for DoD Financial Management Reform. Tactical plans consist of enterprise wide reform initiatives with detailed milestones that track actions and sub-actions. The SBP consists of three segments, i.e., narrative, tactical plan, and cost/budget information and provides the following: (1) the goals and initiatives required to achieve Financial Management Reform; (2) the current status of DFAS-wide initiatives (i.e., narratives, cost data, milestones); (3) justification for budget submissions (DoD Budget Submission/President's Budget Submission); (4) the DFAS Director and Principal Deputy Director the capability to monitor the development and execution of tactical plans that delineate financial management reform initiatives; (5) relationships and dependencies between initiatives; and (6) an analytical tool for program analysts in comparing a program baseline with completed or delayed actions and costs.

12. Chief Financial Officer's (CFO) Financial Management 5-Year Plan and Tracking System

The CFO Financial Management 5-Year Plan and Tracking System integrates several manual and automated processes to design, describe, organize, guide, and report the Department's efforts to improve operations and financial management systems. This system's major product is the CFO Financial Management Status Report and 5-Year Plan. The Plan satisfies the requirements of the CFO Act, FMFIA and the Paperwork Reduction Act.

The CFO Financial Management 5-Year Plan and Tracking System focuses, in a single planning document, the numerous DoD projects and initiatives undertaken to meet the Comptroller's "Blueprint for Reform." The Plan provides a strategic overview furnishing details on the linkage between individual reform elements, DoD's financial improvement initiatives, the CFO's vision for financial management, and efforts to accelerate compliance with the CFO Act. The CFO Financial Management Status Report and 5-Year Plan also contains the elements of a tactical plan for financial systems in the form of the migration and interim migration systems strategies. The strategies give specific details for each element on expected objectives to be reached, steps required to meet those objective, milestones for each step, and performance measures to track and evaluate progress.

13. OMB Financial Systems Inventory (FSI)

FSI is the database containing information on DoD financial management and mixed financial management systems. The FSI meets the requirements in OMB Circular A-11, Section 15.5 for maintenance of a financial management systems inventory. OMB uses the FSI to assess the condition of DoD financial management systems, and combines the DoD inventory with that of the other government agencies to assess the status of financial management government-wide.

The OMB FSI contains a brief description of all DoD financial management systems including the type of application, functions supported, points of contract, future plans, and an assessment of the systems conformance with OMB A-127, JFMIP and FMFIA. It also contains a host of information on the system software, hardware and the systems technical environment.

H. Information Technology (IT) Acquisition Strategy

The primary objective of the acquisition strategy is to ensure that the procurement process provides the capability to meet current and future IT requirements. Simply stated, the DFAS must have the capability to quickly and simply obtain quality IT products and services within schedule and at a reasonable cost.

The DFAS has centralized the contracting function to achieve economies of scale by outsourcing this function with the Department of the Navy, Fleet and Industrial Supply Center, San Diego. The DFAS also has streamlined the acquisition process by decentralizing the acquisition of small purchases and centralizing the preparation of approval documentation for all larger acquisitions. The Central Procurement Office at each DFAS Center processes small purchase contracts and serves as the focal point for forwarding large acquisitions to the supporting large contracting office. The DFAS has established a centralized acquisition requirements management organization to prepare approval documents.

I. Security Strategies

Presently, the DFAS is exploring new technology to implement the Automated Information System (AIS) Security Program, to integrate available security capabilities (e.g., strong identification and authentication, secure certification authority workstation, electronic signature, encryption and internet management software) for all systems. The AIS Security Program will implement safeguards to protect DFAS AISs against intentional or unintentional modification, disclosure and destruction of information. AIS safeguards will also protect against denial of service to DFAS users and department activities when appropriate. In pursuit of protecting DoD's finance and accounting information, DFAS is striving to implement an AIS Security Program that takes into consideration all possible means of eliminating unauthorized access. The following strategies represent the business direction DFAS is taking to implement the DFAS AIS Security Program:

- Publish DFAS Chapter 10, AIS Security Policy, of DFAS 8000-R Information Management Policy and Instructional Guidance by July 1996. This policy will establish the DFAS AIS Security Program for all DFAS AISs to include:
- AIS Security Program Objectives
 - • Provide effective and non-intrusive automated information system security.
 - • Develop a standard AIS Security training plan for DFAS.
 - • Determine AIS security actions that meet security

-
- protection goals, benefit users and have high payoff (e.g., survey the community).
 - • Assure functional managers consider AIS security when preparing functional requirements that drive software development or modification.
 - • Simplify the user's security interface wherever possible.
 - • Automate security documentation and risk assessments.
 - DFAS Certification and Accreditation (C&A) Program Objectives.
 - • Establish DFAS C&A Handbook.
 - • Identify C&A requirements in DFAS Service Level Agreements with external service providers.
 - • Establish DFAS Risk Management Process.
 - • Review, comment, and coordinate security plans, risk assessments, and system security test and evaluation plans for each DFAS major AIS.

J. Year 2000 Strategies

The Year 2000 will have a critical impact on information systems in the Department. Due to space limitations on early computers, the industry-accepted standard for representing a date has been six digits. The year portion of the date has always been two digits. Beginning with the year 2000, this standard produces potential miscalculations. The Year 2000 changes can effect all mainframe, midrange and personal computers. The two-digit year field can be found in microcode, operating system code, software compilers, application systems, data query languages, procedures, screens, databases, and data. Any computations that calculate age, sort by date, compare dates, or perform other specialized tasks are affected. The Department is faced with the task of modifying existing systems to properly process dates after 1999.

DFAS began work on the Year 2000 project in 1991. The DFAS Financial Systems Organization (FSO) has the responsibility to monitor and track all non-Year 2000 compliant systems. This process involves identifying all systems DFAS has responsibility for, separating compliant from non-compliant systems, and identifying a point-of-contact for each system. To accomplish this task, a spreadsheet of all systems has been created (input came from the System Inventory Database, DFAS Headquarters, DFAS Centers, and the Financial Systems Activities). Systems are tracked under either a DFAS Center or Headquarters Deputate, depending on who has primary responsibility. Each non-compliant system must have a plan for becoming compliant explaining how the system will meet the Year 2000 deadline of December 31, 1998. The spreadsheets are updated quarterly to enable the FSO to track the progress of each system toward becoming compliant.

K. Fraud Detection and Prevention

The Department has established a program to better enforce compliance with existing security procedures at financial data processing installations and reduce the vulnerability of its computer networks to intrusion. This program, titled “Operation Mongoose,” is a pro-active fraud detection and prevention unit formed to identify possible individual intrusion into financial systems for illegal personal gain. Operation Mongoose is managed by a program management team within the DFAS, and involves several other DoD organizations. Computer matching techniques are used to compare various dissimilar computer systems operated by financial organizations within the Department to identify anomalies that occur when data that should be the same fails to match from one system to another. Operation Mongoose areas of current interest include validation of vendor payments, military, civilian, and retired/annuitant payrolls, transportation payments, and payment system intrusion.

The Operation Mongoose methodology includes the combined team efforts of the DFAS, the Defense Manpower Data Center (DMDC) in Monterey, California, and the DoD Inspector General's Office, including the Defense Criminal Investigative Service (DCIS). These three organizations are working together to develop fraud indicators that are generated by the discrepancies between systems, collect and compare data from all over DoD, detect the presence of anomalies within the DoD systems, examine the appropriate records to determine if the anomalies actually are a result of fraud, and pursue criminal charges against the people responsible for the fraud. The Objective is to establish a permanently structured organization that will detect and prevent fraud by actively seeking it out, rather than waiting for it to surface by chance, be identified by informants, or be detected by random reviews that allow too great an opportunity for concealment of the crime.

The Operation Mongoose program manager has established a network that includes personnel already in place at the DFAS Centers, especially in their internal review organizations, in DoD financial and law enforcement agencies, and in several outside agencies including the U. S. Secret Service. Requests for assistance both from and to these organizations are routinely handled, and cooperation has resulted in the arrests of several suspects and the confiscation of millions of dollars of fraudulently obtained DoD funds. The pro-active review of payments to individuals such as retirees and annuitants has resulted in the elimination of millions of dollars of fraudulent and erroneous regular payments. Operation Mongoose is presently in the process of completing the development of a tracking and reporting system that will increase the ability to monitor and control the cases under consideration, and to keep the network of responsible organizations informed of their status.

Subsection 2.3. Policy and Procedures Considerations

A. “DoD Financial Management Regulation”

In the area of policy, the Department has initiated a single DoD-wide “DoD Financial Management Regulation,” suitable for use at all levels. This issuance is replacing numerous separate DoD

Component directives, and once fully implemented is expected to eliminate over 70,000 pages of regulations. The current publication status is shown in the following table:

<u>Volume</u>	<u>Title</u>	<u>Status</u>
1	General Financial Management Information, Systems, and Requirements	Initially Issued 5/93
2A&B	Budget Formulation and Presentation	Initially Issued 6/93; Revised Issuances 5/94 and 6/96
3	Budget Execution - Availability and Use of Budgetary Resources	Initial Issuance Expected by 12/31/96
4	Accounting Policy and Procedures	Initially Issued 1/96; Revised Issuance 9/96
5	Disbursing Policy and Procedures	Initially Issued 12/93
6	Reporting Policy and Procedures	Initially Issued 2/96
7A	Military Pay Policy and Procedures (Active and Reserves)	Initially Issued 1/93
7B	Military Pay Policy and Procedures (Retired)	Initially Issued 12/92
8	Civilian Pay Policy and Procedures	Initially Issued 12/93; Revised Issuances 1/95 and 8/96
9	Travel Policy and Procedures	Initial Issuance Expected by 12/31/96
10	Contract Payment Policy and Procedures	Initially Issued 2/96
11A	Reimbursable Operations, Policy and Procedures	In Formal Coordination
11B	Reimbursable Operations, Policy and Procedures - Defense Business Operations Fund (DBOF)	Initially Issued 12/94
12	Special Accounts, Funds and Programs	Approved; Pending Distribution
13	Nonappropriated Funds Policy and Procedures	Initially Issued 8/94
14	Administrative Control of Appropriations	Initially Issued 8/95
15	Security Assistance Policy and Procedures	Initially Issued 3/93

B. Budget and Accounting Classification Architecture

The Budget and Accounting Classification Architecture concept which incorporates the standard Budget and Accounting Classification Code (BACC) continues to receive increased management attention and emphasis under the DFAS Project Management Office (PMO). A BACC Project

Office was created in the PMO organization. The BACC is a prerequisite for any standard DoD accounting system and is structured to be change responsive; focused on consistently meeting fiduciary reporting requirements; able to identify organizations, documents, and transactions; and uniformly support financial management information requirements. It is expected that the BACC will simplify the task of standardizing systems and will be implemented in all migratory and interim migratory accounting and finance systems.

The Department's Financial Management Steering Committee approved the BACC structural data elements in September of 1994. Since its formation, the BACC Project Office has: modified and stabilized the BACC structural data elements; provided an expanded and more detailed BACC data element matrix; revised, expanded, and clarified the detailed BACC data element definitions; and developed a Concept of Operations for BACC implementation. The BACC Project Office also monitored the BACC Task Group members working on special issues, e.g., the efforts to develop the concept for the Document/Record Reference Identifier (Standard Document Number) and construct the extensive and complex BACC data base which will be provided to systems managers for use in the accounting systems. The BACC Project Office also is in the process of setting up the DoD Centralized BACC Architecture Office and the Sub-BACC Architecture Offices at the DFAS Centers.

C. Data Standardization

The standardization of financial and other data continues to receive significant emphasis. A data administration program is in place and the DoD-wide data dictionary is being populated with standard financial management data elements. Long-term finance and accounting requirements have been documented and data and process models have been developed. Departmental personnel continue to work closely with other government and private sector groups to standardize data and formats of mutual interest and, thereby, promote increased use of capabilities such as electronic invoicing and electronic transfer of contract payments.

D. Government Purchase Card Program

Another important example of DoD reengineering involves the government-wide purchase card known as the International Merchant Purchase Authorization Card (I.M.P.A.C.). This program is playing a major role in the Department's efforts to streamline the acquisition process and cut the costs of performing finance and accounting support for processing commercial invoices. The program allows individual government cardholders, using a government I.M.P.A.C. credit card, to purchase items or services—primarily those costing \$2,500 or less (called “micro-purchases”)—from vendors. Under the current government-wide contract, the Rocky Mountain BankCard System (RMBCS), First Bank System, reimburses the individual vendors for these purchases and the Department makes consolidated payments to RMBCS.

The DFAS processes about 9.9 million commercial invoices per year. Although an estimated 7.7 million invoices meet the micro-purchase threshold, currently only about 1.2 million of these invoices are associated with the use of the I.M.P.A.C.

The Department currently is reengineering its policies and procedures on using the charge card. Many of the acquisition pre-approvals and procedures are being streamlined. The I.M.P.A.C.

Program, as it is known today, is expected to result in a faster and simpler procurement process, faster payments to the vendors, less processing of financial and procurement documents, and faster processing of commercial invoices. This is a “win-win” situation. The government is able to procure its needs quicker and easier; the commercial vendors get reimbursed faster; and interest payments are virtually eliminated. These changes should result in an overall reduction in costs to the government - both in dollars and manpower.

The acquisition changes will be accompanied by other changes in the finance and accounting world. Procedural changes made by DoD customers, along with reengineered business practices by the DFAS and endorsed by its customers, will enable an exponential increase in the use of the charge card and generate millions of dollars of savings within the Department.

Reengineered practices include:

- Use of bulk commitments and/or obligations in the accounting systems for micro-purchases.
- Use of summary level accounting in the vendor pay systems for groups of purchases instead of detailed lines of accounting for each transaction or purchase.
- Use of a standard accelerated invoice reconciliation and certification process for disbursing against commercial invoices.
- Use of automated reconciliation systems available for customers to track individual micro-purchases against summary commercial invoice data.

The I.M.P.A.C. reengineering initiative is consistent with the goals and objectives of the National Performance Review. The on-going changes will enhance the Department’s ability to provide cheaper and better finance and accounting services to its customers.

Section 3

Specific Financial Systems

The Department has made substantial progress toward the consolidation and standardization of systems and operations. A functional architecture, shown in Section 3-A, has been developed to support the Department's overall goals. The best financial management systems in the Department's inventory are being identified, modified as necessary to meet DoD-wide requirements, and implemented as migration systems by business category for use throughout the Department.

The Department is continuing the process of evaluating functional migration accounting systems. Selected migration systems may be used until the transition is made from current accounting systems to standard, integrated accounting systems. Under this process, data and process models may be used to enhance the migration systems to assist in producing better integrated financial management systems.

Subsection 3.1. Migration Systems

To be selected, a prospective migratory system must be fully operational or be in an advanced state of development and partially implemented. It must meet applicable functional requirements that are acceptable across the DoD Components and be sufficiently flexible to allow functionally driven operational changes.

The following areas have been studied and migratory systems designated:

A. Military Pay

The Army/Air Force Joint Service Software, and the Marine Corps Joint Uniform Military Pay System/Manpower Management System were chosen as the standard DoD military pay systems on October 17, 1991. Renamed the Defense Joint Military Pay System (DJMS) and the Marine Corps Total Forces System (MCTFS), the systems are expected to compute military pay and leave and provide accounting data for the management of the Military Personnel Appropriations. The MCTFS also accomplishes manpower management functions for the Marine Corps. Both the DJMS and the MCTFS have the following features:

1. Computes Service members' net pay due from authorized entitlements, less mandatory withholdings and voluntary deductions.
2. Provides Service members a monthly statement of entitlements, withholdings, and deductions.
3. Maintains Service members' leave balances by accruing leave earned and deducting leave used.
4. Provides Service members a monthly update of leave transactions.
5. Provides financial accounting for military pay.
6. Reports earnings and withholdings to federal, state, and local authorities.

The MCTFS operates at the DFAS-Kansas City Center. When MCTFS is fully implemented, by FY 1999, it will have replaced four systems.

The DJMS currently operates at the DFAS Centers in Denver and Indianapolis and is scheduled to operate at the DFAS Center in Cleveland. When fully operational, by the end of FY 1999, it is expected to replace 22 military pay systems.

B. Military Retiree and Annuitant Pay

The Navy Retired Pay System and the Air Force Casualty and Annuitant Pay System were chosen to be the standard DoD retiree/annuitant pay system on August 8, 1991. Renamed the Defense Retiree and Annuitant Pay System (DRAS), it uses standard software and hardware to increase system functionality. The DRAS includes the following features:

1. Computes retired pay for members that were previously active duty and reserve, as well as payments under military survivor and annuity programs.
2. Accounts for the payments issued out of the DoD Retired Pay Trust Fund.
3. Reports payments, adjustments, deductions, and other pay related data.

The DRAS replaced eight payroll systems with one consolidated payroll system, operating at the DFAS Cleveland and Denver Centers respectively. All military retiree and annuitant accounts currently are being processed on DRAS. On April 1, 1995, DRAS implementation was concluded with the transfer of 720,000 Army retiree and annuitant accounts.

C. Civilian Pay

The Navy Standard Civilian Payroll System was chosen as the standard DoD civilian pay system on September 12, 1991. Renamed the Defense Civilian Pay System (DCPS), it is a data collection, processing and reporting system for civilian payroll and leave accounting. The DCPS provides the Department with a fully automated standardized civilian payroll system supported by standard payroll procedures and practices. The system eliminates duplication and inefficiencies which occurred in previous civilian payroll operations. The system has appropriate automated interfaces with accounting systems and civilian personnel data systems. Other benefits include the following:

1. Uniform interpretation of regulations and payroll calculations.
2. Standard operating procedures, forms, and training.
3. Reductions of overall documentation including regulations, manuals, etc.
4. Support for the standardization and integration with other areas such as personnel, accounting, and labor cost accounting.

DCPS payroll operations currently are being consolidated at DFAS payroll offices located in Denver, Colorado; Pensacola, Florida; Charleston, South Carolina; and Omaha, Nebraska. As of May 31, 1996, DCPS provides payroll support for 557,000 Army, Navy, and Air Force civilian employees, and it is estimated to be paying 641,000 civilian employees by the end of FY 1996. During FY 1997, DFAS will complete the implementations for all DoD civilian pay accounts

except those that are currently being serviced by the Defense Business Management System (DBMS). However, all accounts currently utilizing the Defense Business Management System will be converted to DCPS by early 1998. It is now estimated that 110,000 accounts will be added to the DCPS, by the end of FY 1997 and an additional 76,000 are scheduled to be added during FY 1998.

D. Transportation Payment

The Transportation Information Payment System was chosen as the standard DoD-wide transportation payment system on December 10, 1992. Renamed the Defense Transportation Payment System (DTRS), it supports the DoD initiative to consolidate and standardize transportation payments, and will interface with the DoD standard accounting and disbursing systems. The DTRS includes the following features:

1. Receives transportation Government Bills of Lading and invoices via electronic data interchange.
2. Performs a prepayment audit of transportation bills.
3. Disburses using electronic funds transfer technology.
4. Manages claims and collections.

The implementation schedule for DTRS is under review currently .

E. Debt Management

The Departmental Accounts Receivable System was chosen as the DoD-wide debt management system on February 7, 1992. Renamed the Defense Debt Management System (DDMS), it eliminated five other debt management systems by standardizing the management and collection of out-of-service and contract debt. The DDMS provides standard interface support to the various accounting, financial, and personnel systems. The DDMS manages out-of-service and contract debt using the following:

1. Automated interfaces with payment systems from which debt originates.
2. Automated letters and bills to debtors.
3. Centralized, automated processing of payments by individual debtors.
4. Centralized, automated interfaces with other organizations such as collection agencies, credit bureaus, and the Internal Revenue Service.

On May 21, 1996, the consolidation of the Debt and Claims Management (DCM) operations at the Denver Center was announced. This consolidation will eliminate similar operations at three other Centers and result in substantial workyear reductions from processing improvements, economies of scale and elimination of duplicative functions. A consolidation planning team and workload transition team have been established to pursue the goal of completing the consolidation in 12 months.

F. Property

The Defense Property Accountability System (DPAS) has been chosen as the standard DoD-wide property accounting system. The DPAS is an automated property accountability and equipment management system that provides for financial control over real and personal property. The system replaces over 150 separate property systems in DoD organizations. The DPAS is expected to increase management control over assets, provide for better control over reorganization and closed bases asset distribution and provide a mechanism for improved theft detection. Having a single property system also is expected to save funds by eliminating the need for numerous organizations to continuously maintain and improve their own unique property systems.

The DPAS is expected, eventually, to support accounting for over \$765 billion in DoD property. The system satisfies the requirements of both the Federal Managers' Financial Integrity Act to increase the internal control over property and the Chief Financial Officers Act to improve the accuracy of financial reporting.

Subsection 3.2. Interim Migration Systems

A. Finance

1. Vendor Pay

Computerized Accounts Payable System (CAPS) is a micro-computer program developed to automate manual accounts payable functions. The system automatically suspends commercial payments and follow-up letters, allows for payment computation, and produces vouchers and management reports. CAPS will determine payment due date, computes interest penalties and lost discounts, as well as determine if a discount is cost effective based on the current Treasury rate. CAPS allows for entry and processing of purchase rate and purchase orders/contracts in foreign currencies. CAPS also allows for entry of electronic fund transfer (EFT) information for vendors who elect this type of payment.

Standard Accounting and Reporting System (STARS) is a standardized, multiple major claimant financial management and accounting automated data processing system that presently supports the U.S. Navy. The total system includes [STARS Departmental Reporting, a departmental reporting system that includes Navy funds distribution and direct reporting](#), STARS Headquarters, [an intermediate claimant system](#), STARS Field Level, an "on-line", "real-time", integrated field level accounting subsystem and [STARS-ONEPAY](#), a single bill paying subsystem that features DoD-Wide invoice processing from vendors utilizing electronic data interchange and electronic funds transfer for bill payments. By the beginning of FY 1998, STARS will be functionally compliant with the CFO standards.

Integrated Accounts Payable System (IAPS) provides automatic processing of local purchase accounts payables at the Air Force base level. The IAPS performs automatic reconciliation, by appropriation, of contract, invoice, and receipt data by line item for stock fund purchases.

2. Disbursing

Standard Finance System - Redesign I (SRD-I) is a disbursing system that operates in a database management/interactive system providing a relational approach to the storage and retrieval of data. The use of source data automation reduces duplication of input, improves accuracy and simplifies reconciliation. The system accepts direct key data entry but relies primarily upon system interfaces with PC based micro entitlements systems via file transfer of data. Disbursements and collections are created with multiple options as to method payment/collection. Daily and monthly standard reports are system generated. All transactions produced by SRD-1 'bridge' to the receiving accounting system and feed accounting reports.

Standard Accounting and Reporting System (STARS). (See the STARS description under paragraph A.1. above.)

Integrated Paying and Collection System (IPC) tracks Air Force cash disbursement and collection transactions, check payments, miscellaneous voucher processing, accountability data, prepares various reports, prints checks, and processes level 8 Treasury check reporting. Appropriations accounted for are in terms of Treasury accountability and include all appropriations included in the General Accounting and Finance System and related Merged Accountability and Fund Reporting system.

3. Military Pay

Defense Joint Military Pay System - Active Component (DJMS-AC) computes pay and allowances, processes deductions from pay, and performs leave accounting for all active duty Army and Air Force members including Army West Point and Air Force Academy Cadets. System-generated financial and statistical reports support the administration and control of appropriated funds, member and employer taxes, and members' distribution of pay. Members may be paid monthly or twice a month (mid- and first-of-month) using centralized electronic funds transfer. Manual pay checks are used as a secondary disbursement method. Net Pay Advice (NPA) and Leave and Earnings Statements are printed and distributed centrally or down-loaded to selected locations using personal computer-based applications.

For both Army and Air Force appropriations, pay-related transactions are passed to summary account files after they are posted to members' Individual Pay accounts. Daily and monthly program process against summary account files and generate various accounting reports. The Summary of Military Pay Obligations report is created at the beginning of each processing month and updated daily as pay-related transactions are processed. This daily process allows for a ready military payroll and accountability each day of the month. These system functions provide dollar and strength accounting for each military pay and allowance according to appropriation.

Defense Joint Military Pay System - Reserve Component (DJMS-RC) is the Reserve Forces payroll system used for more than 1 million Army/Air National Guard and Army/Air Force Reserve (USAR/AFRES) personnel not on extended active duty. The system operates at two central DFAS sites; Denver and Indianapolis. The system processes, in batch mode, reported member drill performance and information on tours of active duty to automatically compute

members' pay, produce earnings statements, distributes members pay, establish and collect member debts, produce tax reports, and prepare statistical and accounting reports.

B. Accounting

The Department is correcting deficiencies and improving the quality of its accounting and reporting capabilities. To achieve a rapid improvement in the quality of accounting and reporting, the DFAS plans a fast transition from deficient systems to a smaller number of quality systems.

Interim migratory systems have been designated for the following areas.

Defense Business Operations Fund

1. Research and Development

NAVAIR Industrial Financial Management System (NIFMS) provides accounting services for the six Naval Aviation Depots (NAVAVNDEPOTS). This system encompasses the principles related to budgeting, accounting and reporting at field activities; it maintains general ledgers, handles disbursements, bills customers and support other general Defense Business Operating Fund (DBOF) management functions. NIFMS captures labor, material, contractual and other costs at the shop and job order levels; it accumulates and maintains data in cost and expense records; and records financial and other information on customer order records. Customers are billed and cash receipts and expenditures are processed and accounted for mechanically. Management reports provide useful information on direct and indirect programs.

2. Information Processing

Industrial Fund Accounting System (IFAS) consists of three modules: accounting, budget, and chargeback. The Accounting Module is a batch oriented DBOF accounting system that is customer designed to support information technology facilities operating in a fee-for-service environment. The accounting module is comprised of eight transaction driven applications (subsystems) and a front-end, on-line data entry/telecommunications network designed to support multiple remote entities with roll-up capability to meet corporate financial reporting requirements.

The eight applications capture: (1) non-labor cost, encumbrances and cash transactions such as travel, transportation, commercial and government contracts, commitments, obligations, accruals and receipts; (2) military labor costs; (3) civilian labor costs, which are reconciled with civilian paid labor via payroll system interfaces; (4) capital assets and minor property, including generating appropriate depreciation cost and expenses; (5) labor and non-labor cost, expenses and encumbrances combined in a single flexible and adaptable data file for other subsystem use and management queries; (6) table master files and job order master files, which are used extensively by all other subsystems; (7) customer funds and centralized customer billings; and (8) a complete history of general ledger details and required financial statements including trial balances.

The budget subsystem is an on-line real time database management information system. The subsystem provides a standardized method for budget preparation and the monitoring of execution data against an approved operating budget. The budget subsystem provides the fee-for-

service concept in the development of the DBOF billing rates. Its costing concepts address the relationship of cost to the output of that activity. Applications in the budget subsystem include Labor, Payroll Management, Workload, Rate Development, Budget, Project Tracking, Bulletin Board System, Financial Management (Unit Costing), Headquarters Processing, and User Utilities which allow users to customize their personal computers for purposes of producing management reports.

The chargeback subsystem provides billing and utilization data for resources consumed in the production of ADP services. This is accomplished through a combination of capturing data from automated logs (e.g., CPU time, I/O time, tape mounts) from a variety of hardware suites, labor hours and non-labor costs passed from the accounting subsystem through an automated interface. Manual entries also are captured and processed. Workload utilization currently is collected in 43 categories called resource units.

The chargeback subsystem calculates billing amounts by multiplying workload utilization, direct labor hours, and direct non-labor costs by the appropriate billable rates resident within each activity's cost rate file. The Chargeback subsystem contains a site specific cost rate file that is centrally managed. Calculated billing amounts are summarized by customer through an automated interface. Detailed utilization data and gross charges (billing amounts) are passed to the budget subsystem through an automated interface.

3. Supply - Wholesale

Commodity Command Standard System (CCSS) is a standard accounting and supply management system for the U.S. Army's five inventory control points. This system accounts for the funds for the Defense Business Operations for Supply Management and the Conventional Ammunition Working Capital Fund. The accounting function is contained in one of several ADP modules within CCSS. Other modules support functions such as the requisition, procurement, and issue of material. All these modules together provide a comprehensive logistic management system.

The financial accounting module provides fund control and general accounting and reporting for hardware related funds and transactions. The system includes interfund and non-interfund billing procedures, but does not otherwise provide for disbursing operations. This system does not provide cost accounting or general accounting of personnel services. The functions of the CCSS financial system is fully automated within the confines of the overall system.

Material Financial Control System is used for contracts, repairs, and requisitions for Navy Supply Management activities and is comprised of expenditure processing, allotment accrual accounting, and inventory accounting and billing. The allotment accrual accounting consists of: establishment, maintenance, posting, and closing of general ledger accounts; fund certification; and contract audit processing for follow-up actions on accounts payable and commitments. The inventory accounting and billing function maintains the fund code data, adjusts the general ledger, provides general ledger inquiries and generates bills for cash sales, interfund, and other supply officer sales.

Financial Inventory Accounting & Billing System (FIABS) is an on-line, transaction processing management and accounting system used for Air Force supply management activities. FIABS processes transactions for: updating local inventory control information, recording the appropriate financial transactions, and customer billings. FIABS provides the means for recording financial and program data related to the accounting, billing, and management of the Air Force supply management activities. The data recorded in FIABS is used to provide information as to the status of supply management inventories and to provide data at various levels of detail to managers throughout AFMC. The primary feeds of data to FIABS are through batch (tape or network) interface from the supply systems.

Standard Automated Material Management System (SAMMS) is used by the Defense Logistics Agency (DLA) Supply Centers to process requisitions, manage their items, issue stock from the depots and procure material from contractors. It consists of an Entry/Exit Process Subsystem and the following five operational subsystems: Distribution, Requirements, Technical and Logistics, Contracting and [full accounting functionality including funds control, payables, receivables, billing and General Ledger capabilities](#). SAMMS employs the concepts of modular design which provides the capability of changes to one subsystem without affecting the total system, and multiple process involvement which permits multiple processing routines to be accomplished simultaneously.

Fuels Automated System (FAS) provides an automated, integrated and responsible system of procurement, inventory control, distribution and financial management to support the integrated materiel management of bulk fuel and petroleum products by the Defense Logistics Agency. FAS was designed with the following characteristics: automated validation/verification of data; exception processing; modular design/programming, consolidated files, audit trails; minimum document flow; and flexible “ad hoc” inquiry capability.

FAS is composed of several applications which parallel the functional processes which occur in the Defense Fuel Supply Center (DFSC) and interact with the Defense Fuel Regions, the Defense Fuel Support Points, and the Military Services and Federal Agencies (which are the customers of DFSC). These applications are as follows: (1) Active Contract, (2) Financial Inventory Accounting, (3) Transportation Recording, (4) Transportation Expense, (5) Distribution Plan Authority/Source Identification and Ordering Authority, (6) Service Expense, (7) Disbursements and Refunds, (8) Address and Profile, (9) Inventory Status, (10) General Ledger, (11) Billing and Collections, and (12) Funds Control.

Defense Integrated Subsistence Management System (DISMS) also is used by the Defense Logistics Agency and provides for procurement and distribution of subsistence items worldwide for troop issue, commissary support and civil agencies. [Current financial functionality includes vendor payment and disbursing. A scheduled enhancement will provide fuller accounting capabilities.](#) DISMS has been designed as an on-line data base management system and integrates all aspects of processing.

4. Supply - Retail

Standard Army Financial Inventory Accounting and Reporting - Modernization (STARFIARS-M) is a field level budget execution and financial inventory accounting system

which supports the United States Army's continental installations and comparable overseas commands. STARFIARS-M is used to (1) account for retail level inventory (supply requirements); (2) provide financial inventory accounting for non-DBOF inventories; (3) provide accounting support for the acquisition of wholesale level material; and (4) interface with standard and unique supply systems as well as the general accounting system.

Standard Material Accounting System (SMAS) provides retail financial accounting support for the Air Force Supply Management Business Area. SMAS includes a fund control, General Ledger, receivable and payable accounting, and billing functionality. SMAS interfaces with multiple logistics and other financial systems to obtain data in order to execute its accounting functions.

Base Operations Support System (BOSS) is an integrated supply system with a financial subsystem that includes funds control, Trial Balance reporting, subsidiary ledgers, and an allotment ledger. BOSS supports DLA depots and supply centers and accounts for supplies, equipment, job services, rentals, and a retail stock fund. BOSS also provides for automated Purchase Orders, MILSTRIP requisitions and interfund billings.

5. Distribution Depots, Supply Management and Information Services

Defense Business Management System (DBMS) is a fully automated integrated resource management system that supports the Distribution Depots, Supply Management and Information Services business areas. It is comprised of four major subsystems: Personnel, Payroll, Resource Administration, and Appropriation Accounting. All DBMS Subsystems, except Personnel, perform finance and accounting related functions. The major DBMS accounting functions include:

- a. General ledger accounting
- b. Budgetary accounting and funds control
- c. Cost accounting including job order cost accounting and unit cost accounting capability.
- d. Accounting for receivables and payables
- e. A fully integrated civilian payroll system, as well as, military personnel accounting

6. Depot Maintenance

Standard Industrial Fund System (SIFS) is the standard financial management accounting and reporting component of the Army Material Command Integrated Logistics System, formerly Standard Depot System. SIFS is used to provide detailed information required by depot and other Army managers and to meet external reporting requirements. The major functions of this system are fund distribution and control, cost accounting, and general accounting. The five applications included in SIFS are: General Fund, Financial Inventory Accounting, Cost Accounting, Methods and Standards, and Automated Internal Operating Budget.

NAVAIR Industrial Financial Management System (NIFMS). NIFMS has mechanized most of the major accounting functions of the Navy's depots. These functions are summarized as subsystems: cash, labor (interfaces with the Defense Civilian Pay System), other cost, material, cost summary, job order/customer order, billing, general ledger, purge/history and fixed asset

accounting. In addition, modifications to meet necessary reporting requirements for Depot Maintenance Reporting, Cost/Schedule Status Reporting and Cost Competition have been automated. (Also see NIFMS description under paragraph 3.2.B.1., “Research and Development.”)

Air Force Depot Maintenance. Decision pending.

7. Public Works and Printing and Publications

A commercial off-the-shelf system has been purchased that will provide full accounting functionality. The system purchased was selected from the General Service Administration Financial Management System Software schedule and is deemed to be compliant with CFO and JFMIP requirements.

8. Transportation

The Corps of Engineers Financial Management System (CEFMS) is a fully integrated financial management system that can account for both appropriated and business (revolving) funds. CEFMS [currently is functionally compliant with CFO standards](#) and is expected to [be the departmental financial reporting system for the Army, Air Force and the Defense Agencies](#). [CEFMS also has been selected to replace existing transportation accounting systems and](#) has the following features:

- a. Employs a transaction-driven general ledger
- b. Integrates on-line/real-time funds control
- c. Cost accounting capability
- d. Contains an inventory control module
- e. Integrates budgeting, accounting, payables, disbursing, receivables, billing, collection, travel order preparation and fixed asset accounting

9. Reporting

The Defense Business Operations Funds (DBOF) Central Database (CDB) accounting system is designed to capture, maintain, and report general ledger account balances for the DoD Components. The CDB general ledger account structure is functionally compliant with the DoD Financial Management Regulation. The specific accounting levels supported are: Administering Office, Sub-Allocation, Fund Administrator, and Subactivity. This system allows for processing, both on- and off-line, information. On-line processing is accomplished by use of a variety of screens, each specific to unique transactions. Off-line processing is accomplished by interfacing with input data streams. The DBOF CDB is a central data repository for DBOF activity information.

General Accounting

Program and Budget Accounting System - Funds Distribution (PBAS-FD) is an automated, on-line system which controls the receipt and issue of direct and reimbursable program and funds,

including any reprogramming, [for Army and Defense Agencies](#). Also, it controls the budget and reimbursable authority.

Corps of Engineers Financial Management System (CEFMS). The Corps of Engineers Financial Management System (CEFMS) is a fully integrated financial management system that can account for both appropriated and business (revolving) funds. CEFMS [currently is functionally compliant with CFO standards](#) and is expected to [be the departmental financial reporting system for the Army, Air Force and the Defense Agencies](#). CEFMS also has been [selected to replace existing transportation accounting systems](#) and has the following features:

- a. Employs a transaction-driven general ledger
- b. Integrates on-line/real-time funds control
- c. Cost accounting capability
- d. Contains an inventory control module
- e. Integrates budgeting, accounting, payables, disbursing, receivables, billing, collection, travel order preparation and fixed asset accounting

Standard Accounting and Reporting System (STARS) is a standardized, multiple major claimant financial management and accounting automated data processing system that presently supports the U.S. Navy. The total system includes [STARS Departmental Reporting, a departmental reporting system that includes Navy funds distribution and direct reporting](#), STARS Headquarters, [an intermediate claimant system](#), STARS Field Level, an “on-line”, “real-time”, integrated field level accounting subsystem [and STARS-ONEPAY](#), a single bill paying subsystem that features DoD-Wide invoice processing from vendors utilizing electronic data interchange and electronic funds transfer for bill payments. By the beginning of FY 1998, STARS will be functionally compliant with the CFO standards.

[Departmental Financial Reporting and Reconciliation System](#) will be responsible for receiving, balancing and reporting all Navy expenditures to the Treasury, Under Secretary of Defense (Comptroller), Navy Comptroller, and Navy responsible offices and administering offices.

Departmental Cash Management System (DCMS) will control, consolidate, and reconcile disbursements, reimbursements, collections, and receipts and ensure posting to accounting records by the responsible accounting station. DCMS also will provide reports at the level of detail prescribed by the Office of Management and Budget, Treasury, and the Department.

Standard Accounting and Budgeting Reporting System (SABRS) provides an automated financial system for use by authorized operating budget holders at Marine Corps field-level. SABRS replaced the Priority Management Effort, the Marine Air/Ground Financial Accounting System, the Class I Budget System and selected Class III accounting and budgeting systems. Additionally, the system provides legal, fiduciary and financial management compliance with requirements imposed by statute, directive or guidance for Marine Corps commands. [To reduce the myriad of existing systems, DFAS-Kansas City is moving toward standardizing accounting applications for appropriations supporting the Marine Corps under SABRS. SABRS is the sole DFAS-Kansas City migratory system for general accounting. Current enhancement initiatives include the expansion of SABRS to fully support accounting, budgeting and reporting functions](#)

for other Marine Corps appropriations. Five legacy systems also are scheduled to migrate onto SABRS as follows:

Subsection 3.3. Business Information Management

Using a Business Process Reengineering approach, the Department has developed requirements for optimal standard financial systems. Redundant, non-integrated and non-compliant systems and their associated training courses eventually are expected to be eliminated; and a family of migration financial systems is expected to evolve incrementally into standard, fully integrated/interfaced, multi-functional applications.

The DFAS Headquarters work in this area, begun initially under the Business Information Management Deputate, continues today under the DFAS Deputy Director for Information Management. This transfer of responsibilities reflects a transition from the purely functional analysis of requirements to an effort that is more implementation oriented. The data and process models now are complete. These logical models of the finance and accounting data and processes now are the platforms for further development. The logical data now has been developed into approved standard data elements for DoD-wide application. The process model and accompanying action diagrams represent modules of functionality which correspond to the Joint Financial Management Improvement Project (JFMIP) Core Financial Systems Requirements. Some action diagrams were developed into a system prototype to test the data structures and the logic of the action diagrams. The process model also was reformatted in the DoD Standard Integrated Definition format making it a useful tool for business process reengineering projects. The core finance and accounting model will be expanded to capitalize on the results of other efforts where the models developed can be satisfactorily reconciled and integrated into the finance and accounting model.

The data administration program has become institutionalized across the DFAS. It is applied to the logical data to develop standardized data for DoD-wide use. It also applies to migratory systems to provide the first steps toward data commonality in systems originally built by widely disparate organizations. The Agency data administration program plays an active role in the review of candidate standard data proposed by other functional communities. The cooperation with the private sector continues in the adoption of the standards for electronic data interface applications, particularly, invoicing and contract payment.

Cross-functional cooperation continues with other DoD functional communities such as logistics, procurement, personnel, budget and medical. Progress is apparent in the preliminary acceptance of finance and accounting data by these other communities.

As previously identified in this Plan, the Department's migration systems are in various stages of implementation in support of the DoD Components. The data and process models that have been developed are planned to be used later to improve the implemented migration systems, thereby forming a DoD-wide standardized financial system. This incremental approach to system development reduces both risks and costs, and also ensures that enhanced systems are available in the near term.

A viable data administration program is in place in the Department, and the DoD-wide Defense Data Dictionary System (DDDS) has been populated with standard financial management data elements. At the same time, departmental personnel are working closely with the private sector to standardize data and formats of mutual interest to promote increased use of capabilities such as electronic invoicing and electronic transfer of contract payments.

In building financial requirements, significant cross-functional activity is underway with other DoD communities. This active exploration of integration issues embraces the Department's logistics, procurement, civilian personnel, distribution center, and medical communities.

The Department's standard financial systems are expected to have the following features:

Compliance

All systems are expected to comply with statutory, regulatory, and audit requirements. Management should ensure internal controls, and the internal integrity of the financial management systems, are maintained. Accounting standards consistent with generally accepted accounting principles, accounting standards issued by the OMB as recommended by the Federal Accounting Standards Advisory Board, and accounting systems requirements issued by the Joint Financial Management Improvement Program should be incorporated to simplify existing procedures. Transactions should be processed under general ledger control.

Process Improvement

Improved technology should be employed to develop standard business systems which use standard data and logically integrated databases.

Standard Data

Financial management data and data definitions have been standardized throughout the Department and are available from the Defense Data Dictionary System. Systems development should be data driven to eliminate redundant processes.

Interface/Integration

Integration of financial management systems with those of other functional areas is a basic goal. Other functional areas (e.g., personnel, logistics and contracting) should interface with the financial management systems and vice versa (two-way data flow) when full integration is not immediately viable. In such cases, standard interface modules should be developed initially, with an ultimate goal of logical data base integration.

Open Architecture

Automated data processing systems should employ the open architecture concept so that systems would not be restricted to specific vendor hardware or software. Hardware should be transparent to the user of a system.

Standard Software Development/Maintenance

Standard software development and maintenance should be managed and controlled on a centralized basis.

Documentation

Policy and procedural issuances should be automated; and change documentation should be issued to all users-of-record at the time systems go on-line and changes are made.

DoD-wide Telecommunications Network

A DoD-wide telecommunications network should make financial management information available to all departmental user. The capability also should exist to electronically transmit data external to the Department.

Responsive to Change

Systems should be responsive to changing conditions and accommodate both peacetime and wartime operations. The flexible, dynamic system design should be able to respond quickly to a changing customer base, legislative changes, contingency operations, management initiatives, and requirements from other government agencies.

Contingency Plans

Reconstitution and alternate processing capabilities should be provided and regularly tested.

Performance Indicators

Systems should include automated indicators that measure performance, output, and customer service and associate costs with outputs when appropriate.

Training Capability

Where feasible, training modules should be embedded in standard systems to facilitate conversion to the standard system without the added expense of sending operators to distant sites for training.

Single Source

Inputs should be accomplished through single source data entry (i.e., data should be entered only once to satisfy the needs of all functional areas). The responsibility and accountability for accurate data capture should reside with the originating activity (e.g., logistics, medical or personnel). Appropriate edits and systems should be provided to enable originating activities to enter data in the most accurate manner.

Timely Updating

There should be timely validation and update of the financial data base with feedback to the source.

On-Line Historical Files

Where needed, each business activity should have on-line historical files to satisfy requirements for inquiry and retroactive processing.

Access

Financial and other functional managers should have access to those data needed for their management decisions. The design should allow authorized users to receive standardized reports, access data electronically, and locally perform data manipulation.

Security

Information and AIS resources should be safeguarded against sabotage, tampering, loss, destruction, denial of service, espionage, fraud, misappropriation, misuse, or release to unauthorized persons. Classified information and sensitive unclassified information should be safeguarded at all times while in AISs. Safeguards should be applied so that such information is accessed only by authorized persons, is used only for its intended purpose, retains its content integrity, and is marked properly as required.

Paper-Optional Environment

Where feasible and cost effective, work processes should be constructed to be performed without intermediate paper products, while retaining the capability to produce paper on demand where and when it is specifically needed. Generally, user ad hoc inquiries should provide flexible reporting to managers and replace hard copy reports. Reporting requirements should be improved to eliminate redundancy while still providing the Department's managers with the information they need to effectively manage their programs. Short-term initiatives should seek reduction and elimination of current hard copy requirements.

State-of-the-Art Technology

Where economically feasible, state-of-the-art technology should be applied to automate data collection, processing, reporting, retention, security, and disposal.

Direct Input by and Feedback to Customers

As new technological capabilities are implemented, individual members, employees, and other customers should enter data into, and receive direct feedback from, the financial management systems where appropriate instead of having a customer support organization do it for them.

Program Management

A standard program management process should be used to integrate, manage, and control the Department's orderly transition from multiple systems to standard financial management systems quickly and efficiently while allowing for departmental review, justification, and approval.

The Department is committed to ensuring that resources are available to meet established goals. Accordingly, the Department's budget projections reflect a substantial investment for the modification, implementation, and deployment of the migration financial systems addressed in this

plan. From a business perspective, the risk in this investment is minimal since the budget is based on the costs of enhancing existing systems to meet realistic milestones rather than on the cost of developing new systems. The Department's budget projections include the resources required to meet the objectives set by the DoD Chief Financial Officer. Investment funds have been, and are expected to be, programmed and budgeted for the years they are required to meet the milestones established to provide increased standardization of the Department's financial systems and policies. Investment in these systems is expected to significantly reduce the cost of the Department's financial operations in the future.

Subsection 3.4. Audited Financial Statements

Impediments to Auditable Financial Statements

Previous audits have confirmed that the Department's financial management systems were not designed to generate auditable financial statements and have demonstrated that widespread diversions from generally accepted accounting principles exist in many of the Department's current systems. Some of the more significant deficiencies include:

- The use of a variety of non-integrated data bases. These separate data bases preclude the easy or reliable integration or interfacing of information from other (non-financial) functional areas—such as personnel, acquisition and logistics—with the Department's finance and accounting systems.
- Current finance and accounting systems often are not sufficiently flexible to respond rapidly to changing customer bases, legislative changes, contingency operations, management initiatives, requirements from other government central agencies, or other changes.
- Finance and accounting systems often do not include automated indicators that measure, or are linked to, costs, performance measurements, or other output measurements.
- Finance and accounting systems lack a single standard transaction driven general ledger--an essential ingredient for sound reliable financial reports.

In addition, inadequate internal controls and undocumented audit trails have contributed to unreliable financial data and exacerbated significant procedural and systemic deficiencies.

Weaknesses include the Department's difficulties with:

- verifying and reconciling cash,
- consistently valuing and reconciling physical inventories to financial account balances
- accurately reporting the value of property, plant and equipment, and
- reporting amounts in a consistent and timely manner.

This is due largely, but not entirely, to long standing systems problems. The continuing system problems remain a serious challenge to the Department—and realistically will require a number of years to correct. However, these audits also have shown that some actions, short of substantive system changes, can be taken to improve operations. Many of those actions either are planned or are ongoing to redress current system deficiencies.

Subsection 3.5. Defense Financial Management Improvement Plan

The Department's effort to achieve audited financial statements is focused on two major areas automated systems and standardized policies and procedures. Some of these functions (policy formulation) will require less time to achieve than others (systems definition, development and implementation).

The diversity and complexity of the Department's business affairs exacerbates the challenge of bringing DoD into full compliance with the Chief Financial Officers Act. The Department's ability to achieve auditable financial statements is dependent on the application of adequate resources (personnel, time and money) to resolve existing problems; and modifying the Department's financial management systems and processes will be a costly proposition. While the changes planned will make the systems more efficient, thereby resulting in less costly financial system operations, additional functionalities will be required and the increased cost of such added functions will offset such savings to some extent. Once these needed improvements are in place, the Department's financial operations are expected to yield financial information that is of a higher quality and provides greater benefits for the monies invested.

To aid in achieving these goals, the Department has established a Senior Financial Management Oversight Council chaired by the Deputy Secretary of Defense. In addition, the Deputy Secretary established the Defense Business Operations Fund Corporate Board to oversee actions and milestones for the improvement of the Fund. The Board monitors Fund implementation and operation, including policies, rates, cash flow analysis and criteria, and reviews of business area performance. Further, the Under Secretary of Defense (Comptroller) chairs a departmental Financial Management Steering Committee. This committee oversees the development of functional requirements, facilitates the implementation of policy recommendations, and addresses financial management systems and practices—other than those involving the Defense Business Operations Fund. (These forums are discussed in more detail on pages x and xi.)

The benefits to the Department of standardizing and reducing the number of its financial management systems should be significant. The cost of maintaining a few hundred systems will be reduced to that for fewer remaining enhanced, standardized systems. The quality of financial information should be enhanced significantly, providing managers with the relevant data needed to manage the business affairs of the Department. Availability of information to managers should be more timely, thereby allowing managers to use the latest information in resolving complex problems and issues. Additional benefits accruing to the Department should result from facilitated use of electronic fund transfers and electronic data interchange. When fully implemented, most information should be transferred in an electronic mode for applications such as vendor invoicing, contract payments, travel settlements and direct deposit of military and civilian pay.

The Department's high-level plan continues to focus on the two basic subject areas discussed above—automated systems and standardized policies and procedures. The successful completion of this plan requires a significant involvement by each DoD Component, and is predicated on all the DoD Components playing integral parts in executing the plan. The Department's senior management recognizes that a substantial amount of centralized discipline must be brought to bear in achieving success. Therefore, senior management is involved in defining financial

management standards, selecting appropriate financial systems and enforcing a standard financial management policies throughout the Department.

In summary, the Department considers the correction of deficiencies in its current financial systems to be a priority matter, and the Department's senior managers are focusing on fixing the problems. However, recognizing the extent of the deficiencies to be overcome, and the scope of the challenge that it faces to achieve audited financial statements, the Department cannot attain full compliance with the Chief Financial Officers Act in the near term. It will take considerable time, money and effort to achieve auditable financial statements.

Subsection 3.6. Functional Architecture

Figure 1 in Section 3-A-1 shows the DoD-wide System Architecture for finance and accounting. Figure 2 in Section 3-A-2 shows the target accounting and finance systems for the DoD-wide integrated standard financial system. Figure 3 in Section 3-A-3 shows the strategy of migrating to the target accounting and finance systems.

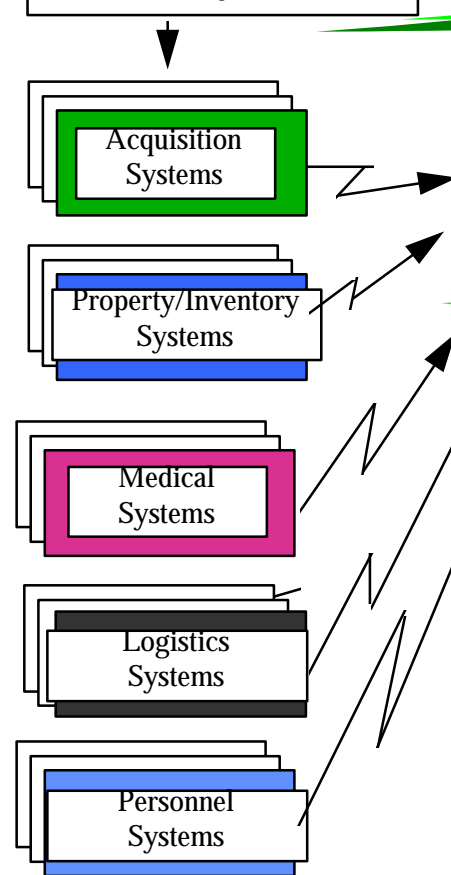
DoD-Wide System Architecture

DoD Appropriations

21-2020	17-1804	17-1106	57-3400	97-0100	21-2010	17-1105	17-1453	57-3500
21-2034	21-2033	17-1611	57-3010	57-3020	21-2040	57-3600	17-1319	97-0400

800 Appropriations

Feeder Systems



Accounting Systems

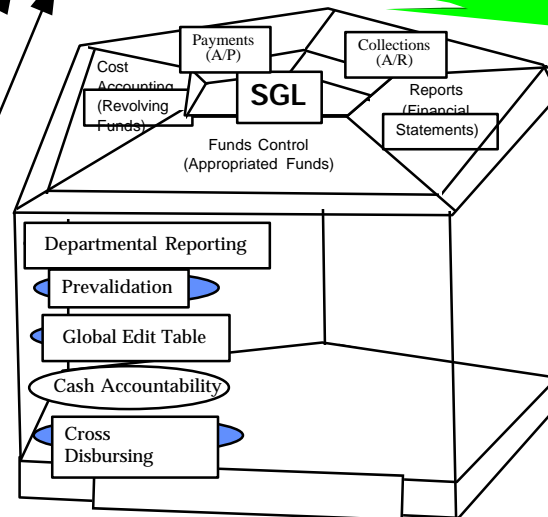
STARS	SABRS	CEFMS	NIFMS	IFAS
MFCS	DBMS	PWC/DDP-COTS	CDB	
PBAS-FD	SMAS			

150 Accounting Systems

Finance Systems

DCPS	DJMS	DRAS
DTRS	DDMS	MOCAS
CAPS	IAPS	SRD-1

67 Finance Systems



DoD Financial Statements⁽⁹⁾

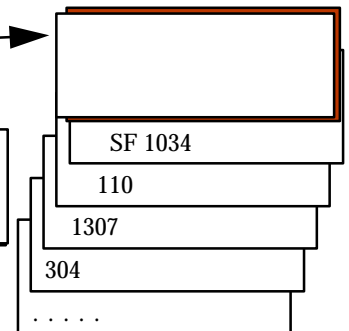
Army

Navy

Air Force

DBOF

.....

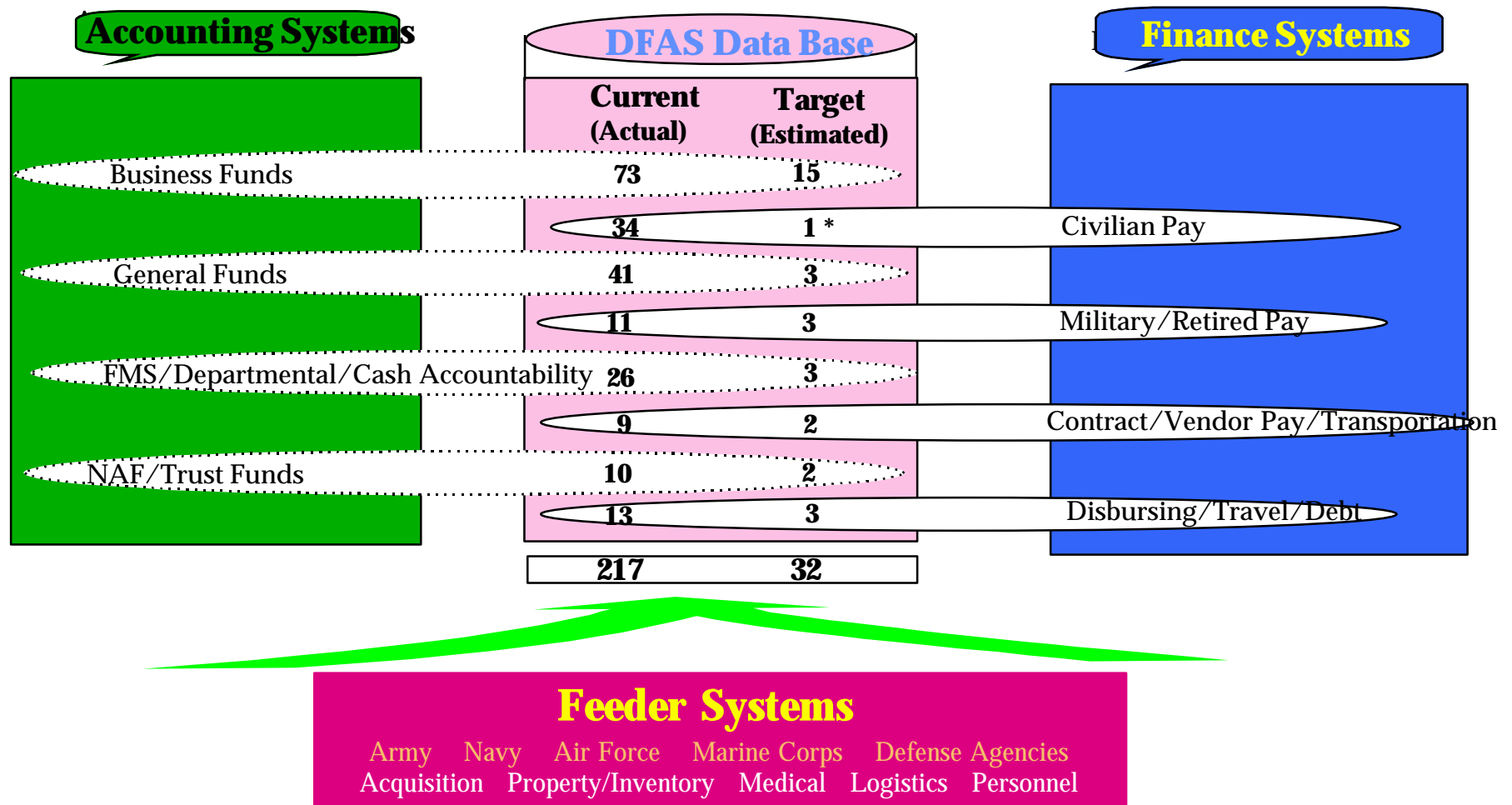


3-A-1

Figure 1

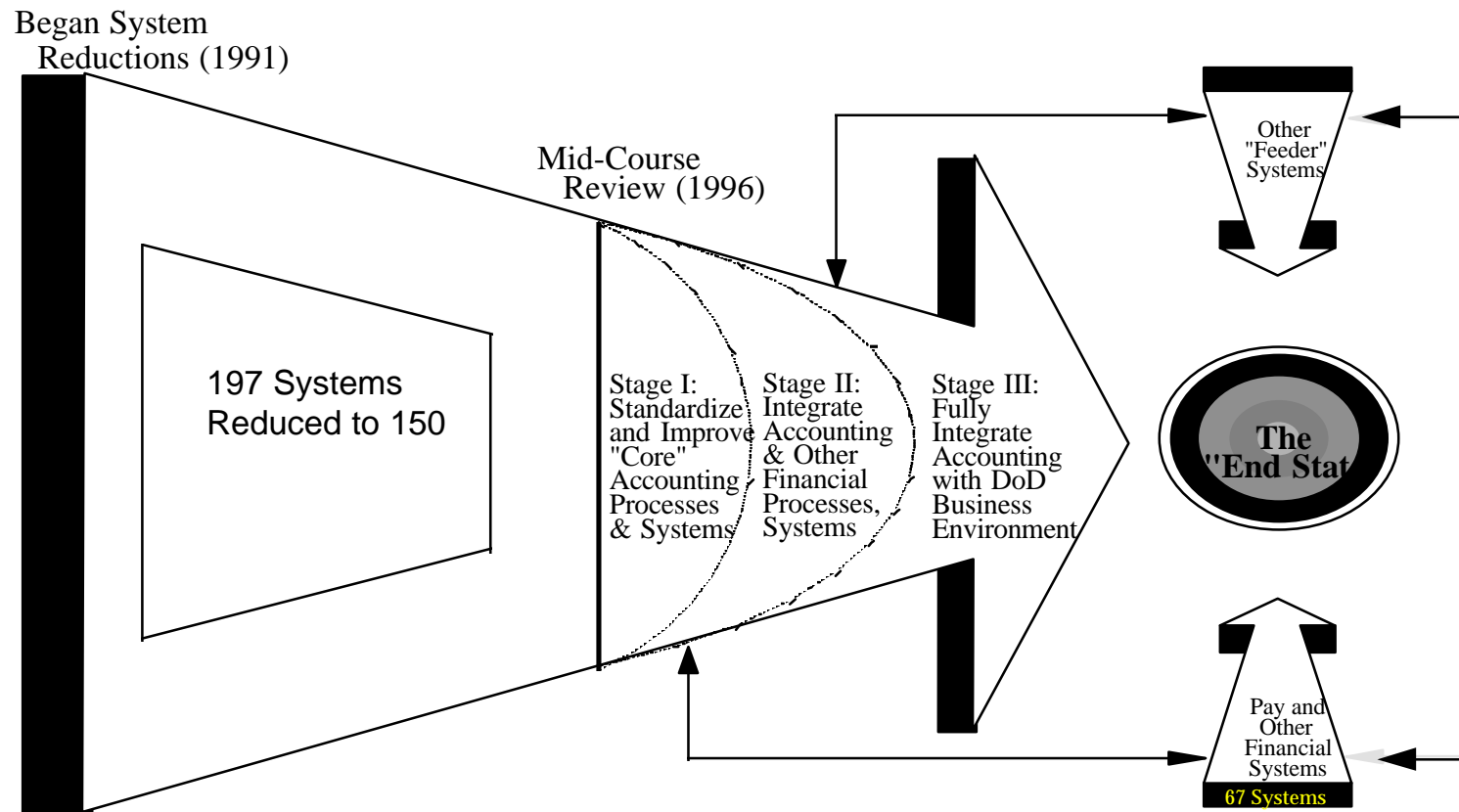
Target

Accounting and Finance Systems



* Excludes foreign national pay

Strategy of Migrating to the Target



3-A-3

Figure 3